

# City of Santa Barbara California

## Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005



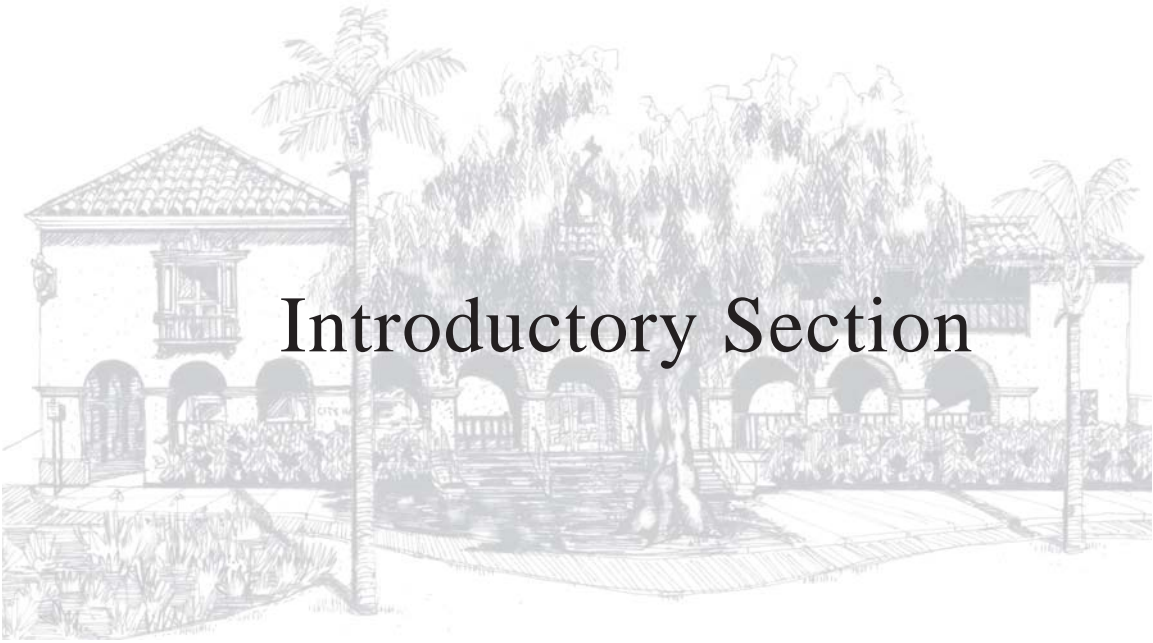
# **City of Santa Barbara, California**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2005**

**Prepared Under the Supervision of**

Robert D. Peirson  
Finance Director



# Introductory Section

# CITY OF SANTA BARBARA

## Comprehensive Annual Financial Report

### Fiscal Year Ended June 30, 2005

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# CITY OF SANTA BARBARA

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**CITY OF SANTA BARBARA**  
**Comprehensive Annual Financial Report**  
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# City of Santa Barbara

## Finance Department

[www.ci.santa-barbara.ca.us](http://www.ci.santa-barbara.ca.us)

November 15, 2005

### Accounting

805.564.5340

Honorable Mayor, Members of the City Council, and Citizens of the City of Santa Barbara

### Administration

805.564.5334

### Duplications/Mailroom

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### Licenses & Permits

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### Payroll

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### Risk Management

805.564.5347

### Treasury

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Santa Barbara, CA

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### Purchasing

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### Warehouse

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### Fax

805.897.1977

310 E. Ortega St.

PO Box 1990

Santa Barbara, CA

93102-1990

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Santa Barbara (City) for the fiscal year ended June 30, 2005, in accordance with Section 1219 of the City Charter. The report was prepared by the City's Finance Department and responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City of Santa Barbara.

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

The City Charter requires an annual audit of the City's financial statements by an independent certified public accountant. Brown Armstrong Paulden McCown Starbuck & Keeter, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of Santa Barbara's financial statements for the fiscal year ended June 30, 2005. The independent auditors' report is located at the front of the financial section of this report. The CAFR has been prepared using the financial reporting requirements as prescribed by Government Accounting Standards Board (GASB) Statement No. 34 (GABS 34). GASB 34 requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

The CAFR is organized into three main sections:

1. Introductory Section – Letter of Transmittal with comments on the operations of the City, the City's organizational chart, and a list of City officials;
2. Basic Financial Statements and Required Supplementary Information Section – Includes the independent auditors' report, MD&A, Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, and Required Supplementary Information; and
3. Statistical Section – Selected financial and demographic information, generally presented on a multi-year basis.

## PROFILE OF THE CITY OF SANTA BARBARA

The City of Santa Barbara is located between the Santa Ynez Mountains and the Pacific Ocean. Santa Barbara offers year-round sunshine, miles of beaches, a colorful history dating back to the Chumash Indian tribes, a rich Spanish heritage, gourmet dining, and spectacular parks; it is often referred to as the American Riviera. The City was incorporated in August of 1850 and today serves a population of 90,518. The City provides a wide range of services to its citizens. These services

include police and fire protection; the construction and maintenance of highways, streets, traffic signals and infrastructure; recreational activities and cultural events; parks; parking facilities; water; wastewater; library; airport; harbor; community development; and general administration.

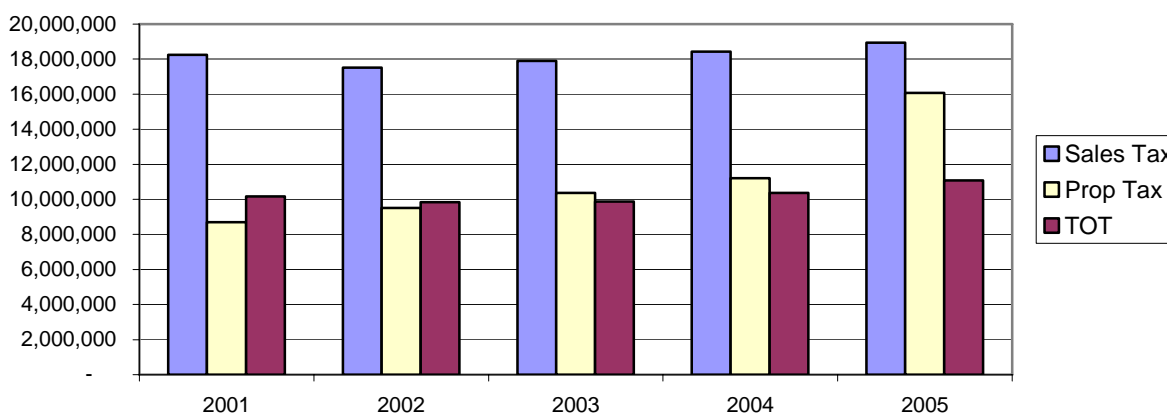
The City also provides services through the Redevelopment Agency (RDA), which is a blended component unit of the City of Santa Barbara. Therefore, the RDA is included in the overall reporting entity presented in the accompanying CAFR. However, the RDA remains separate from the City for all legal purposes and also issues its own separate annual financial report. No express or implied assumption by the City of any liability for the Redevelopment Agency is to be inferred by its inclusion in the CAFR. The Redevelopment Agency's separately issued CAFR is available on the City's web site at: [www.SantaBarbaraCa.gov/government/finance](http://www.SantaBarbaraCa.gov/government/finance).

## FISCAL/ECONOMIC OUTLOOK

The City of Santa Barbara provides a wide range of services and activities to its community. Its mild weather and beautiful scenery also serve to attract a large number of visitors, including international tourists. Thus, revenues such as sales tax and transient occupancy tax, and to a lesser degree property tax revenues, are affected by State and national events and local economic conditions.

In connection with the 2005 State budget, the Governor and a coalition of local government officials successfully placed Proposition 1A on the November 2004 ballot. The measure was overwhelmingly approved by the voters and provides enhanced Constitutional protection to local government revenues, preventing the State from taking local government revenues in the future. The State would still be able to borrow property taxes from the local governments, but only if: (1) the Governor proclaims a "significant State fiscal hardship," (2) the Legislature approves the borrowing with a 2/3 vote, and (3) the State repays any outstanding loans from local governments with interest. In return for this protection of local revenues, the agreement required local governments to endure two years of significant revenue losses. Specifically, \$1.3 billion, statewide, in local property tax revenue was shifted to the state in fiscal years 2005 and 2006. The City of Santa Barbara's annual share of the shift is \$1.25 million in fiscal years 2005 and 2006. In addition to the City's share, the Redevelopment Agency's share of the annual property tax shift is \$1.3 million in fiscal years 2005 and 2006.

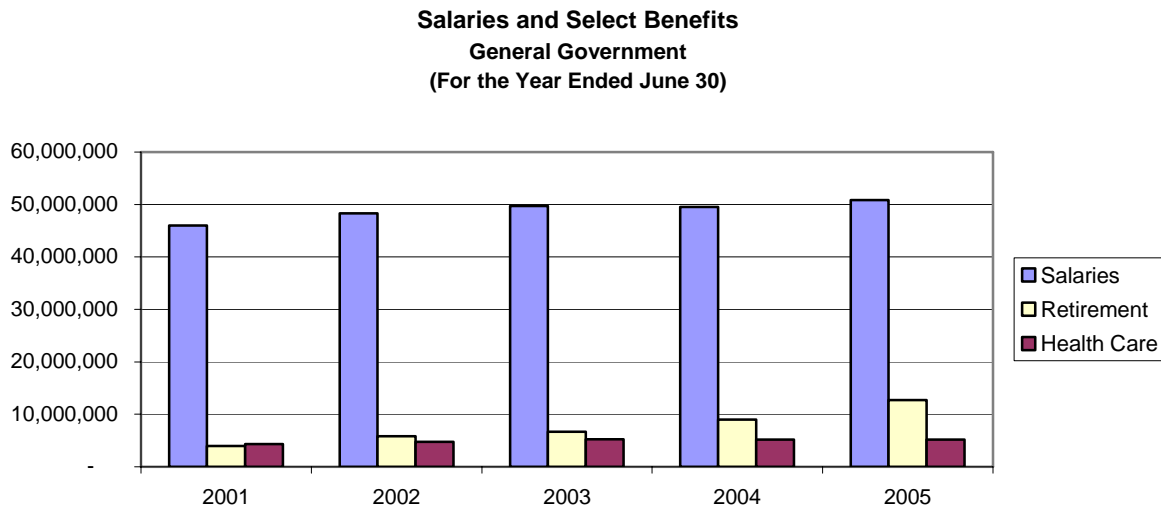
**Major Tax Revenues**  
(For the years Ended June 30)



Following the events of September 11, 2001, key revenues of the City decreased significantly as tourism was significantly curtailed. Finally, after three years of reduced revenues, most key revenues have equaled or exceeded pre-September 11, 2001, levels. Two key indicators of the City's economic health have shown sustained growth during this past year. Passenger counts at the municipal airport increased by almost 10% from the prior year. Additionally, transient occupancy tax revenues increased 6.9% in fiscal year 2005,



indicating an increased number of overnight visitors to the City. One of the biggest financial challenges facing the City recently has been the rising cost of healthcare and retirement. The City and other agencies in the State have been facing significant increases in retirement costs for the past few years. In fiscal year 2005, General Fund retirement costs increased \$3.7 million (42%) from the prior year. During the next fiscal year, they will increase an additional \$1.5 million, for a total of \$5.2 million increase in just two years. This issue alone dwarfs all other financial impacts in recent history. This dramatic rise in retirement costs is largely due to the lingering effects of investment losses realized by the State of California's Public Employee Retirement System (PERS) from 2001 through 2003.



As a result of revenue losses and rising costs, each of the adopted budgets for fiscal years 2002 through 2005 included expenditure reductions and the use of reserves to balance these budgets. The original fiscal year 2005 budget called for the use of \$4.2 million of reserves. During the year, all of the City's employee bargaining units negotiated salary increases, thus increasing the budgeted salaries and benefits by \$1.8 million in the General Fund. This and other adjustments (including appropriations carried forward from fiscal year 2004) increased the budgeted use of reserves to \$8.3 million. Due to revenues exceeding budget and expenditure savings, the actual use of reserves was \$3 million this year.

The City has implemented a multi-year plan to balance the operating budget no later than fiscal year 2008. Under this plan, the General Fund departments will work to generate savings in fiscal year 2006 by \$1 million through unbudgeted expenditure reductions and/or revenue enhancements. Additionally, the City may need to reduce the fiscal year 2007 budget by another \$1.3 million for a total of \$2.3 million in permanent reductions. Once the structural deficit is resolved, the City will begin to restore reserves to the level dictated by City policy.

Overall, it appears that the worst of this recent economic downturn and period of rising costs is behind us. Key revenues, such as transient occupancy and property taxes, have been performing well, and it appears that retirement costs have stabilized beginning in fiscal year 2006.

To the extent that the recent revenue growth, combined with the stabilization in retirement costs, do not adequately address the General Fund's structural deficit, additional budgetary adjustments will be made in fiscal years 2006 and 2007 to balance the operating budget.

## **FINANCIAL CONTROLS**

The City's management is responsible for establishing and maintaining a system of internal controls designed to ensure that the City's assets are protected from loss, theft or misuse. The City's system of internal controls must also ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The City's system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the City's system of internal controls adequately safeguards assets and provides reasonable assurance as to the proper recording of financial transactions. The City's internal controls are subject to periodic evaluation by the City's management.

### **Single Audit**

As a recipient of federal assistance, the City is responsible for maintaining a system of internal controls that will ensure compliance with applicable laws and regulations related to those federal programs. As part of the City's federal single audit, tests are made to determine the adequacy of the internal controls, including that portion relating to federal financial assistance. The federal single audit also seeks to determine whether the City has complied with, in all material respects, all applicable laws and regulations that could have a direct or material effect on a major program. The single audit did not encounter any instances of non-compliance or material weaknesses in the City's internal controls over financial reporting.

### **Budgetary Controls**

The City maintains budgetary controls designed to ensure compliance with the legal provisions contained in the annual budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the department level for the General Fund and at the fund level for all other legally adopted budgets.

The City maintains a formal, integrated encumbrance accounting system as one means of ensuring budgetary control. Purchase orders that would result in an overrun of department appropriations are not released until additional funds have been appropriated. Appropriations for encumbrances outstanding at year-end are re-appropriated in the following fiscal year.

## **OTHER INFORMATION**

### **Cash Management**

Cash temporarily idle during the year was invested in demand deposits, money market funds, certificates of deposit, corporate notes, federal agencies, treasuries, and the State of California's Local Agency Investment Fund (LAIF). At June 30, 2005, the City's investments had an average maturity of approximately 1.14 years and a book yield of 2.914%. As interest rates increased, the value of investments held declined; however, because the City holds all securities to maturity, interim gains and losses are not realized as the securities are redeemed at par upon maturity.

### **Risk Management**

The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. Insurable property is covered for all risks by policies with a pooled aggregate limit of \$750 million per occurrence. An earthquake and flood limit of \$50 million per occurrence is included as well. Various unique risks such as airport liability, marine hull protection and indemnity, fidelity, and boiler and machinery are insured as well.

The City is a member of the Authority of California Cities Excess Liability (ACCEL) for the purpose of pooling various risks. The City's self insured retention (SIR) for liability is \$1 million. ACCEL members now jointly purchase \$20 million of coverage above their respective SIR's and a \$2 million pooled risk from the commercial market. The City's self-insured retention for workers' compensation is \$750,000. An indemnity policy provides limits of \$45 million in excess of the City's self-insured retention and a \$5 million pooled layer. Employers' Liability is also included with limits of \$5 million.

City management evaluates rates charged to user departments and adjusts them annually to fully accumulate the funds needed in the City's Self-Insurance Fund to meet catastrophic losses that may potentially arise.

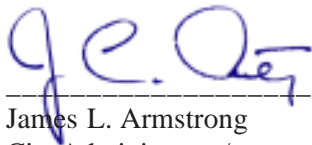
### **Spending Limitation**

Article XIII B of the California Constitution, also known as the Gann spending limit, restricts the amount of "proceeds of taxes" California governments may spend. As of June 30, 2005, the City had not reached its Article XIII B spending limitation

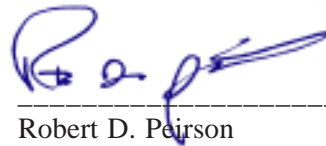
### **AWARDS AND ACKNOWLEDGEMENTS**

The preparation of this CAFR could not have been accomplished without the hard work and team effort of the Finance Department. This effort has resulted in the City receiving the prestigious awards for excellence in financial reporting from the Governmental Finance Officers Association of the United States and Canada and from the California Society of Municipal Finance Officers for the fiscal year 2004 CAFR. We would also like to express appreciation to other City departments that provided assistance and support.

Respectfully submitted,



James L. Armstrong  
City Administrator/  
Clerk/Treasurer



Robert D. Peirson  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Santa Barbara,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Enen*

Executive Director

# *California Society of Municipal Finance Officers*

## **Certificate of Award**

### ***Outstanding Financial Reporting 2003-04***

**Presented to the**

***City of Santa Barbara***

*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

***February 24, 2005***

*William A. Stand*

**Bill Thomas, Chair  
Professional & Technical Standards Committee**

***Dedicated to Excellence in Municipal Financial Management***



**CITY OF SANTA BARBARA**  
**Directory of City Officials**  
**June 30, 2005**

Marty Blum  
Mayor

Dan B. Secord, M.D.  
Councilmember

Helene Schneider  
Councilmember

Roger L. Horton  
Councilmember

Das Williams  
Councilmember

Iya G. Falcone  
Councilmember

Brian B. Barnwell  
Councilmember

James L. Armstrong  
City Administrator/Clerk/Treasurer

Stephen P. Wiley  
City Attorney

Robert D. Peirson  
Finance Director

Karen S. Ramsdell  
Airport Director

Nancy Rapp  
Parks and Recreation Director

Carol L. Keator  
Library Director

Camerino Sanchez  
Police Chief

Mitchell B. Vaughn  
Acting Fire Chief

Paul Casey  
Community Development Director

Anthony J. Nisich  
Public Works Director

Joan M. Kent  
Assistant City Administrator

John N. Bridley  
Waterfront Director

**CITY OF SANTA BARBARA**  
**Advisory Boards and Commissions**  
**June 30, 2005**

**Charter Boards and Commissions**

**Membership**

Airport Commission	7
Architectural Board of Review	9
Civil Service Commission	5
Fire and Police Commission	5
Fire and Police Pension Commission	5
Harbor Commission	5
Historic Landmarks Commission	9
Library Board	5
Park Commission	5
Planning Commission	7
Recreation Commission	5
Water Commission	5

**Committees and Commissions**

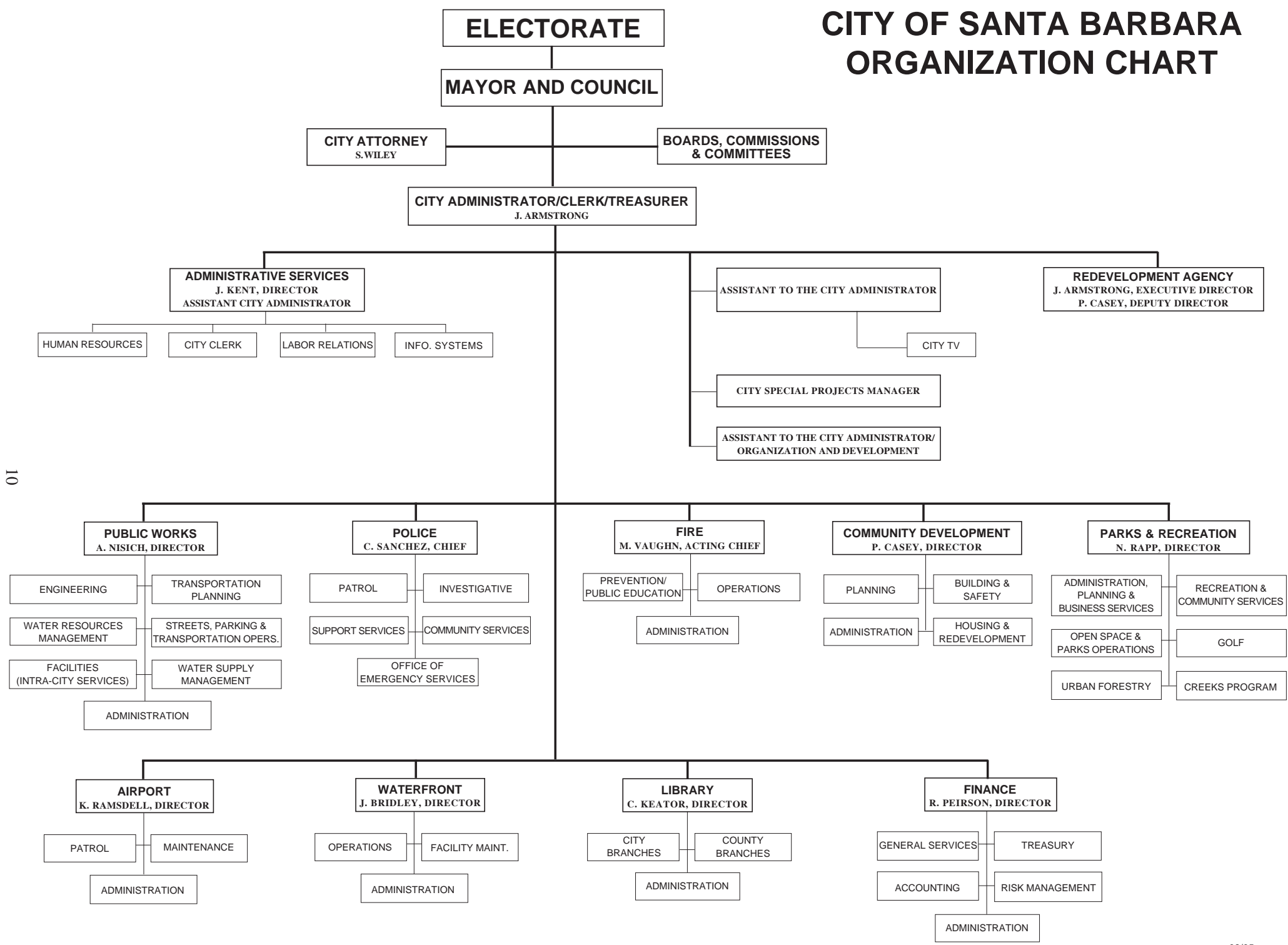
Arts Advisory Committee	7
Central Coast Commission for Senior Citizens	1
Community Development and Human Services Committee	13
Community Events and Festivals Committee	7
Creeks Advisory Committee	9
	(voting)
	(non-voting)
Downtown Parking Committee	7
Franklin Center Advisory Committee	7
Lower Westside Center Advisory Committee	7
Sign Committee	5
Transportation and Circulation Committee	7
Westside Center Advisory Committee	7

**Other Advisory Bodies**

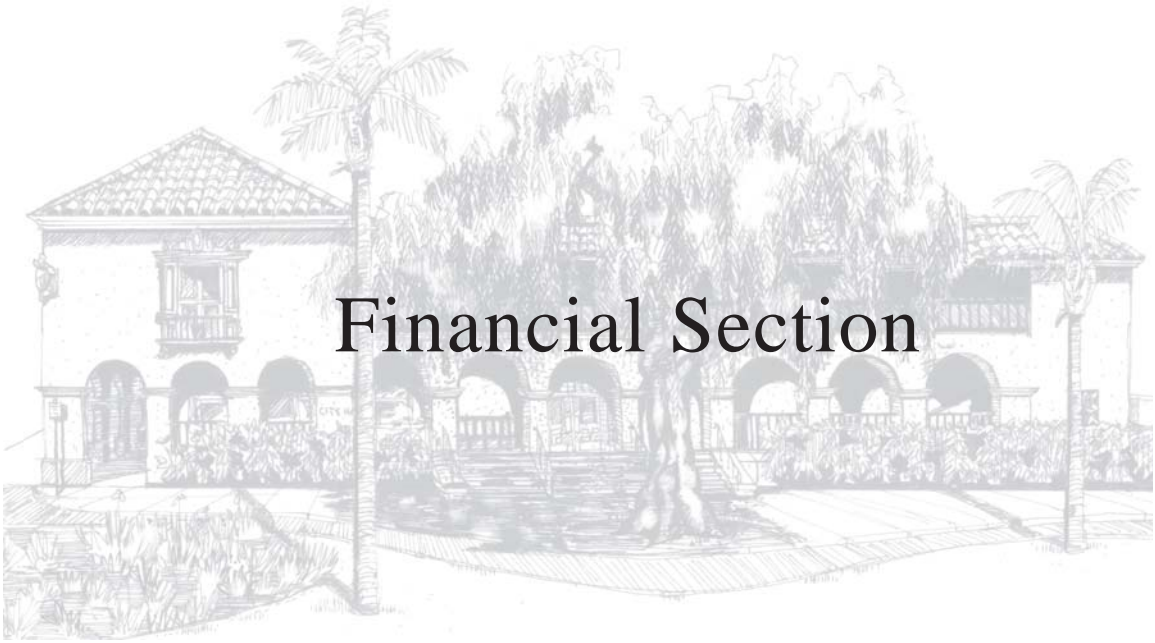
Building and Fire Code Board of Appeals	8
Housing Authority Commission	7
Metropolitan Transit District Board	2
Rental Housing Mediation Task Force	15
Sister Cities Board	3
Coastal Vector Control District	1

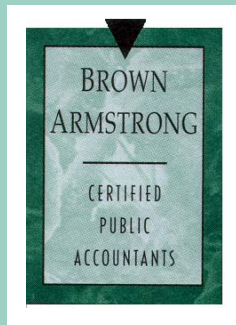
# CITY OF SANTA BARBARA ORGANIZATION CHART

10









**BROWN ARMSTRONG PAULDEN  
McCOWN STARBUCK & KEETER**  
**Certified Public Accountants**

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e-mail: [bainfo@bacpas.com](mailto:bainfo@bacpas.com)

**Shafter Office**

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Shafter, California 93263  
Tel 661.746.2145 Fax 661.746.1218

Peter C. Brown, CPA  
Burton H. Armstrong, CPA, MST  
Andrew J. Paulden, CPA  
Harvey J. McCown, CPA  
Steven R. Starbuck, CPA  
Aileen K. Keeter, CPA  
Chris M. Thornburgh, CPA

Eric H. Xin, CPA, MBA  
Lynn R. Krausse, CPA, MST  
Bradley M. Hankins, CPA  
Rosalva Flores, CPA  
Connie M. Perez, CPA  
Sharon Jones, CPA, MST  
Diana Branthoover, CPA  
Matthew Gilligan, CPA  
Dominic Brown, CPA  
Ryan Johnson, CPA

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council  
Santa Barbara, California

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Santa Barbara, California as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Santa Barbara's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Santa Barbara, California, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2005 the City of Santa Barbara adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3.

The *management's discussion and analysis* and *budgetary comparison* information as listed in the accompanying table of contents are not a required part of the City's basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Santa Barbara, California's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and the statistical tables identified in the table of contents, where applicable, are presented for the purposes of additional analysis and are not a required part to the basic financial statements. These financial statements and schedules are also the responsibility of the management of the City of Santa Barbara, California. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN  
McCOWN STARBUCK & KEETER  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "Paulden H. Armstrong", with a stylized flourish at the end.

Bakersfield, California  
September 9, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fiscal Year Ended June 30, 2005**

This section of the City's Comprehensive Annual Financial Report presents an overview of the City's financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages 1-5 of this report.

### **FINANCIAL HIGHLIGHTS**

- At the end of fiscal year 2005, net assets of the City totaled \$390.7 million, an increase of approximately \$21.4 million from the prior year. Of the total net assets, \$98.1 million is unrestricted and thus may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2005, the City's governmental funds reported combined ending fund balances of \$159.3 million, a decrease of \$1.7 million from prior year.
- Approximately 15.4% of the combined fund balance of the governmental funds is unreserved and therefore available for spending at the City's discretion.
- As of June 30, 2005, unreserved fund balance in the General Fund was \$25.4 million, equating to approximately 30% of total General Fund expenditures.

### **OVERVIEW OF FINANCIAL STATEMENTS**

The City's basic financial statements are comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. Each of these sections is discussed below.

#### **Government-wide Financial Statements**

The Government-wide Financial Statements are designed to present financial information about the City as a whole in a manner similar to the private sector, including the use of accrual-based accounting to recognize its revenues and expenses. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on user fees and charges to fund their operations. Governmental activities include those traditionally associated with local government, such as public safety (fire and police), community development, public works, library, parks and recreation, and general government (administrative) functions. Business activities include the City's utility operations (Water and Wastewater), the City's municipal airport, the Waterfront/harbor, Downtown Parking, and Golf course.

The Statement of Net Assets presents all City assets, including capital assets, and all related current liabilities and long-term debt obligations. The difference between total assets and total liabilities is presented as "Net Assets," which serves as a measure of the financial health of the City. Over time, an increase in net assets generally indicates that the financial health of the City is improving.

The Statement of Activities provides the details of how the City's net assets changed during the fiscal year. Decreases in net assets are presented as "Expenses;" increases in net assets are presented as "Revenues." Revenues directly attributable to a particular function or program within the City are presented as "Program Revenues."

#### **Fund Financial Statements**

The City, like other state and local governments, uses fund accounting for recording its financial activities. In General, Fund accounting provides a mechanism to separately account for a variety of different funding sources and enables the City to demonstrate compliance with legal and/or contractual requirements that may be associated with these funds. Thus, the accompanying fund financial statements present individual funds,

organized into one of three groups based on the nature of the activities and their purpose: Governmental, Proprietary, or Fiduciary Funds. Note that the fund financial statements only present the most significant (i.e., “major”) funds. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the government-wide financial statements. This is designed to explain the differences created by the integrated approach.

**Governmental Funds** – Most of the City’s basic services are reported in governmental funds. Governmental funds include the General Fund, Special Revenue, Capital Projects, and Debt Service Funds. In the fund financial statements, all governmental fund types are reported using the modified accrual basis of accounting, whereby revenues are generally recognized when measurable and available to finance current operating costs, and expenditures are recognized when the related liability is incurred. In addition, the focus is on inflow (revenue) and outflow (expenditures) *of current financial resources*. As such, the balance sheets of governmental funds are intended to present only short-term assets and liabilities.

The fund financial statements include separate columns, by fund type, for all “major” governmental funds of the City. All “nonmajor” governmental funds are consolidated into a single column “Other Governmental Funds”. The details of these funds are included in the Combining and Individual Fund Statements and Schedules located in the Financial Section of this Comprehensive Annual Financial Report.

**Proprietary Funds** – Proprietary funds are used to account for services provided to customers or other City departments and funds that are primarily funded from user charges and fees. Proprietary funds use the accrual basis of accounting and measure the balance and change in *total economic resources*. Accordingly, balance sheets of proprietary funds include *all* assets and liabilities, including long-term receivables, fixed assets, and long-term liabilities. The basis of accounting and measurement focus used to report proprietary fund statements is the same as those used to prepare the government-wide statements. Thus, the proprietary fund statements provide the same, but more detailed, information about these funds, which are included in the “Business-Type Activity” column of the government-wide statements.

Proprietary funds include enterprise funds and internal service funds. The City uses enterprise funds to account for its Water, Wastewater, Airport, Golf, Downtown Parking, and Waterfront/harbor operations. Internal service funds are used by the City to account for its intra-city services (motor pool, building maintenance, custodial, and communication), information systems, self-insurance, and duplications operations.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held by the City as trustee on behalf of other agencies or individuals. Fiduciary funds are not presented in the government-wide statements, as their resources are not available to support the operations of the City.

## **Notes to the Financial Statements**

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

## **Other Information**

In addition to the basic financial statements and related notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits to its employees, budgetary comparison schedules for the General Fund and each major special revenue fund, and schedules and disclosures of the modified approach for reporting the City’s infrastructure.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City has presented its financial statements under the reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34). The following analysis includes a comparison between current and prior year results of operations and year-end balances.

## Governmental Activities

### *Statement of Net Assets*

Table 1 below summarizes the Statement of Net Assets for Governmental Activities as of June 30, 2005, with comparative totals as of June 30, 2004.

<b>Table 1</b> <b>Statement of Net Assets</b> <b>Governmental Activities</b> <b>As of June 30, 2005 and 2004</b>		
	<b>2005</b>	<b>2004</b>
<b>Assets:</b>		
Current and other assets	\$ 194,669,949	\$ 198,719,323
Capital assets (net of depreciation)	104,156,357	92,200,100
Total Assets	<u>298,826,306</u>	<u>290,919,423</u>
<b>Liabilities:</b>		
Current and other liabilities	24,112,052	27,436,882
Long-term liabilities	99,115,329	98,489,965
Total Liabilities	<u>123,227,381</u>	<u>125,926,847</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	80,483,403	72,491,198
Restricted	70,887,775	61,188,012
Unrestricted	24,227,747	31,313,366
Total Net Assets	<u>\$ 175,598,925</u>	<u>\$ 164,992,576</u>

As shown in Table 1, total assets of Governmental Activities were \$298.8 million at June 30, 2005, including \$104.2 million in capital assets (net of depreciation). Of the total \$194.7 million in current assets, \$139 million consists of pooled cash and investments, as well as cash and investments with fiscal agents. All pooled cash is invested in accordance with State law and the City's investment policy, and include funds legally and/or contractually restricted as to their use.

Long-term liabilities at June 30, 2005, include tax allocation bonds issued by the City's Redevelopment Agency, certificates of participation issued by the City, and estimated self-insurance claims (see the Capital Asset and Debt Administration section for more detailed discussion of outstanding long-term debt). Long-term liabilities increased by \$625,364 this year. This includes an increase in tax allocation bonds attributable to the issuance of \$7.1 million series 2004A tax allocation bonds by the Redevelopment Agency (RDA), and a reduction of \$4.7 million from scheduled principal payments on outstanding debt made during the year.

Net assets totaling \$175.6 million include \$70.9 million subject to external restrictions. Net assets also include \$24.2 million in unrestricted assets that are available for discretionary spending, although a portion is designated for emergencies and economic uncertainties pursuant to the policy adopted by City Council in 1996.

Total net assets increased from fiscal year 2004 by approximately \$10.6 million (6.4%). In large part, this is due to the funds generated by the City's Redevelopment Agency, which are used not only for retirement of long-term debt, but also to fund capital improvements in the project area. This is evidenced by the \$8 million increase in net assets invested in capital assets from prior year.

The construction of the Granada Garage is funded from bonds, which means it would not have any impact on net assets.

**Statement of Activities**

As discussed earlier, the Statement of Net Assets provides a measure of the financial health of an entity at a specific date in time (i.e., year end). The Statement of Activities provides details of how net assets changed from the beginning of the year to the end of the year. Thus, it indicates whether the City as a whole is better off at June 30, 2005, than it was at June 30, 2004.

Table 2 below summarizes the Statement of Activities for Governmental Activities for the fiscal year ended June 30, 2005, with comparative totals for the fiscal year ended June 30, 2004.

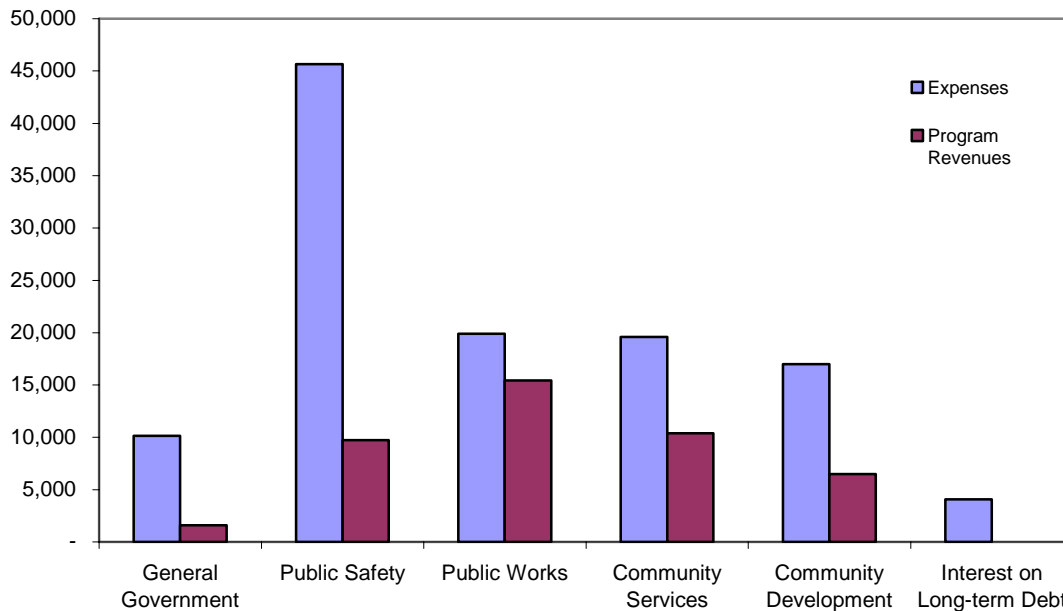
<b>Table 2</b> <b>STATEMENT OF ACTIVITIES</b> <b>Governmental Activities</b> <b>Fiscal Years Ended June 30, 2005 and 2004</b>		
	<u>2005</u>	<u>2004</u>
<b>REVENUES:</b>		
Program Revenues:		
Charges for Service	\$ 26,472,712	\$ 23,015,344
Operating Grants and Contributions	12,565,407	13,474,847
Capital Grants and Contributions	3,599,168	2,820,720
General Revenues:		
Taxes	74,441,251	66,550,031
Franchise fees	2,124,151	2,055,864
Motor Vehicle License Fees	2,297,056	4,569,241
Investment Income	3,409,647	2,887,992
Other Revenue	2,024,564	1,952,626
TOTAL REVENUES	<u>126,933,956</u>	<u>117,326,665</u>
<b>EXPENSES:</b>		
Program Expenses:		
Administration	10,138,893	10,094,067
Public Safety	45,652,857	42,652,924
Public Works	19,915,414	18,235,134
Community Services	19,607,170	20,777,933
Community Development	17,002,515	16,527,804
Interest expense	4,080,594	3,506,223
TOTAL EXPENSES	<u>116,397,443</u>	<u>111,794,085</u>
Increase in Net Assets Before Transfers	10,536,513	5,532,580
Transfers in	<u>69,836</u>	<u>-</u>
Increase in Net Assets	10,606,349	5,532,580
Net Assets, July 1	<u>164,992,576</u>	<u>159,459,996</u>
Net Assets, June 30	<u><u>\$ 175,598,925</u></u>	<u><u>\$ 164,992,576</u></u>

Total revenues of Governmental Activities were \$126.9 million for the fiscal year ended June 30, 2005. Of this total, \$74.4 million (59%) was derived from taxes, including sales tax, transient occupancy tax, utility user's tax, and property tax revenues. This is consistent with the nature of governmental activities, which includes services traditionally financed from general tax revenues. Approximately \$27.5 million (22%) of total revenues were derived from charges for services, representing fees charged for various services, such as recreation, planning, building, library and engineering, as well as charges for services provided by General Fund departments to other funds. Revenues derived from fees and charges help support programs largely subsidized from general tax revenues and, thus, reduce the burden on these limited resources.

Total revenues increased by approximately \$9.6 million (8.2%) from the prior year, from \$117.3 million to \$126.9 million. As discussed in more detail later in connection with the analysis of the General Fund, both tax revenues and charges for services realized the biggest growth from the prior year.

Expenses for the year totaled approximately \$116.4 million. The largest component of total expenses was for public safety (fire and police), representing 39% of the total. Community Services expenses, which include parks, recreation, and library services, totaled \$19.6 million, and Public Works expenses totaled \$19.9 million.

**Expenses and Program Revenues - Governmental Activities**  
(in thousands)



Overall expenses increased by approximately \$4.6 million from prior year. The net increase is the result of increased salary and benefits costs, of which \$3.7 is attributable to the increase in retirement costs. Salaries account for \$518,000 of the increase, retiree medical costs increased \$180,000, and workers compensation increased \$249,000.

## Business-Type Activities

### *Statement of Net Assets*

Table 3 below summarizes the Statement of Net Assets of Business-Type Activities as of June 30, 2005, with comparative totals as of June 30, 2004.



**Table 3**  
**Statement of Net Assets**  
**Business-Type Activities**  
**As of June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Assets:</b>		
Current and other assets	\$ 115,805,279	\$ 86,080,390
Capital assets (net of depreciation)	<u>209,783,069</u>	<u>196,936,181</u>
Total Assets	<u>325,588,348</u>	<u>283,016,571</u>
<b>Liabilities:</b>		
Current and other liabilities	16,390,824	14,795,077
Long-term liabilities	<u>94,069,429</u>	<u>63,876,971</u>
Total Liabilities	<u>110,460,253</u>	<u>78,672,048</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	135,336,148	136,498,349
Restricted for debt service	4,704,123	3,281,233
Unrestricted	<u>75,087,824</u>	<u>64,564,941</u>
Total net Assets	<u>\$ 215,128,095</u>	<u>\$ 204,344,523</u>

As previously indicated, business-type activities include the City's enterprise fund operations, including: Water, Wastewater, Airport, Golf, Waterfront, and Downtown Parking. These operations are highly capital intensive, devoting a significant portion of their financial resources to the maintenance and replacement of major capital equipment and facilities. This is evidenced by the higher proportion of capital assets to total assets in relation to funds included within the Government Activities category shown in Table 1. In fact, of the \$325.6 million in total assets at June 30, 2005, approximately \$209.8 million (64%) relate to capital assets. In addition, capital assets increased by approximately \$12.8 million from the prior year, primarily as a result of capital acquisitions and improvements made during the year, funded from operating revenues and/or accumulated reserves, for several major projects including: the Cater Water Treatment Plant, Sheffield Reservoir Project, renovations to the wastewater treatment & collection system, airport terminal expansion & runway improvements and relocation, and remodeling of the chandlery building at the harbor.

In total, net assets increased by \$10.8 million for the year ended June 30, 2005. All categories of net assets have a positive balance, which means that, as a whole, the individual funds comprising the business-type activities have sufficient current assets to satisfy both current and long-term liabilities, and still have assets remaining for discretionary spending. In short, the funds included within this category are in excellent financial condition. Unrestricted net assets increased \$10.5 million due to reimbursements received in the Water Fund for capital expenses of the Cater and Sheffield projects. The fund used unrestricted reserves to pay for the construction; the reimbursement (in the form of loans from the State Department of Water Resources) is included in the computation of net assets invested in capital assets, net of related debt and unrestricted net assets have been restored.

***Statement of Activities***

Table 4 summarizes the Statement of Activities for Business-Type Activities for the fiscal years ended June 30, 2005 and June 30, 2004.

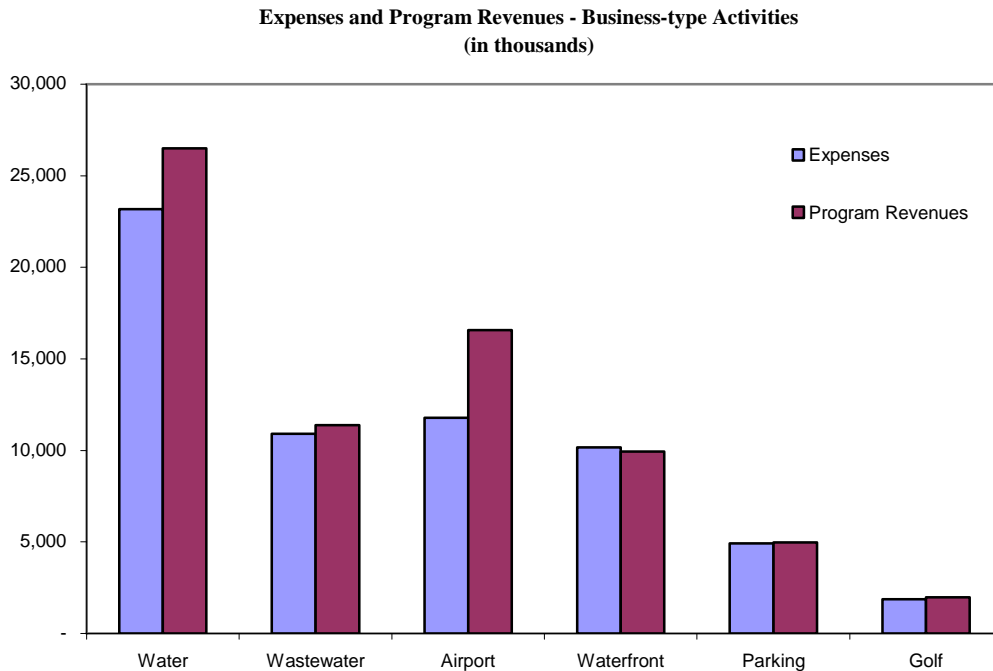
**Table 4**  
**STATEMENT OF ACTIVITIES**  
**Business-Type Activities**  
**Fiscal Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUES:</b>		
Program Revenues:		
Charges for Service	\$ 67,900,619	\$ 64,056,302
Operating Grants and Contributions	13,190	9,159
Capital Grants and Contributions	3,440,054	5,162,809
General Revenues:		
Investment Income	2,329,141	719,412
Other Revenue	-	15,978
TOTAL REVENUES	<u>73,683,004</u>	<u>69,963,660</u>
<b>EXPENSES:</b>		
Business Activities:		
Water	23,168,564	22,841,771
Wastewater	10,908,781	9,901,709
Airport	11,785,672	12,812,342
Waterfront	10,164,356	10,920,887
Other Non-Major Funds	6,802,223	6,407,199
TOTAL EXPENSES	<u>62,829,596</u>	<u>62,883,908</u>
Change in Net Assets Before Transfers	10,853,408	7,079,752
Transfers	<u>(69,836)</u>	<u>-</u>
Change in Net Assets	10,783,572	7,079,752
Net Assets, July 1	<u>204,344,523</u>	<u>197,264,771</u>
Net Assets, June 30	<u>\$ 215,128,095</u>	<u>\$ 204,344,523</u>

Total revenues for the fiscal year ended June 30, 2005, were \$73.7 million, an increase of \$3.7 million from prior year. Charges for services, by far the largest source of revenue, increased \$3.8 million. Charges for services include fees and charges for utilities, such as Water and Wastewater, as well as charges relating to the Airport, Waterfront, Downtown Parking and Golf enterprise funds. The increase of \$3.8 million from prior year results from a combination of fee increases and increased activity. For example, the Water and the Wastewater Funds raised their rates in fiscal year 2005 by 4% and 16%, respectively. The rate increase and customer usage combined to generate additional revenues of \$1.3 million each. The Airport Fund's program of upgrading and maintaining the condition of commercial lease property, coupled with an increase of almost 10% in the volume of passengers, resulted in \$919,000 of additional revenues.

Investment income showed a \$1.6 million positive change from the prior year; however, \$1 million of the increase is due to a reduction in the adjustment required by GASB 31 to adjust the portfolio to fair market value from \$1.46 million in fiscal year 2004 to \$441,000 this year. The actual increase in investment earnings of \$588,000 was due to an increase in unspent bond proceeds in the Wastewater Fund and increasing interest rates. The City pools the cash of all funds, except bond funds held by fiscal agents, for investment purposes. All investments are subject to State Law and the City's investment policy. The Federal Reserve has been steadily raising interest rates throughout this past year and the yield on the City's portfolio has begun to rise accordingly. The City's yield on investments rose from 2.7% at June 30, 2004 to 2.9% at June 30, 2005. As noted in the previous paragraph, investment earnings were reduced \$441,278 to reflect the decline in fair market value of the City's proprietary funds' portfolio at June 30, 2005, pursuant to GASB 31. This decline in market value represents only a "paper" loss, as the City holds all investments to maturity and they are redeemed at full par value.

Expenses for the fiscal year ended June 30, 2005, totaled over \$62.8 million, slightly less than the prior year. The net decrease is the result of varying results in each fund and will be discussed in more detail later in this report in the analysis of individual funds. Generally, the funds all experienced increased salary and benefits costs due to negotiated salary increases, increased health care costs, and significantly increased retirement costs. These increases were offset by savings in other areas. Additionally, the amount of expenses that were capitalized increased, thus moving them from the expense category to capital assets on the balance sheet.



## FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

As previously noted, the City uses fund accounting to demonstrate compliance with legal and contractual requirements. This section provides an analysis and discussion of individual funds and fund types presented in the financial statements.

### Governmental Funds

#### *Analysis of Year-End Balances*

As previously noted, governmental funds use the modified accrual method of accounting. As of June 30, 2005, governmental fund assets totaled \$180.5 million. Of this total, \$67.4 million consisted of cash and investments, and \$56.9 million consisted of cash and investments held with fiscal agents (bond trustees). An additional \$42.4 million represents outstanding loans receivable, of which the vast majority relates to the City's home rehabilitation loan program funded from the Community Development Block Grant program and the Redevelopment Agency's Housing Program.

Fund balance (assets minus liabilities) of governmental funds totaled \$159.3 million at June 30, 2005. Of this total, \$134.7 million was reserved and \$25 million was designated, leaving a balance of \$(397,233) million in unreserved, undesignated, fund balance. The *reserved* portion of total fund balance includes \$56 million in bond proceeds held by fiscal agents in connection with the sale of the 2001, 2003A, and 2004A Tax Allocation Bonds by the Redevelopment Agency (RDA). These funds are restricted to projects for which the bonds were sold, including the construction of a new parking structure on Lot No. 6, low-income senior housing, and other redevelopment projects in the downtown area. Reserved fund balances also include \$30.1 million in outstanding loans receivable in the RDA Housing Fund. Because these loans are long-term, they are not currently available

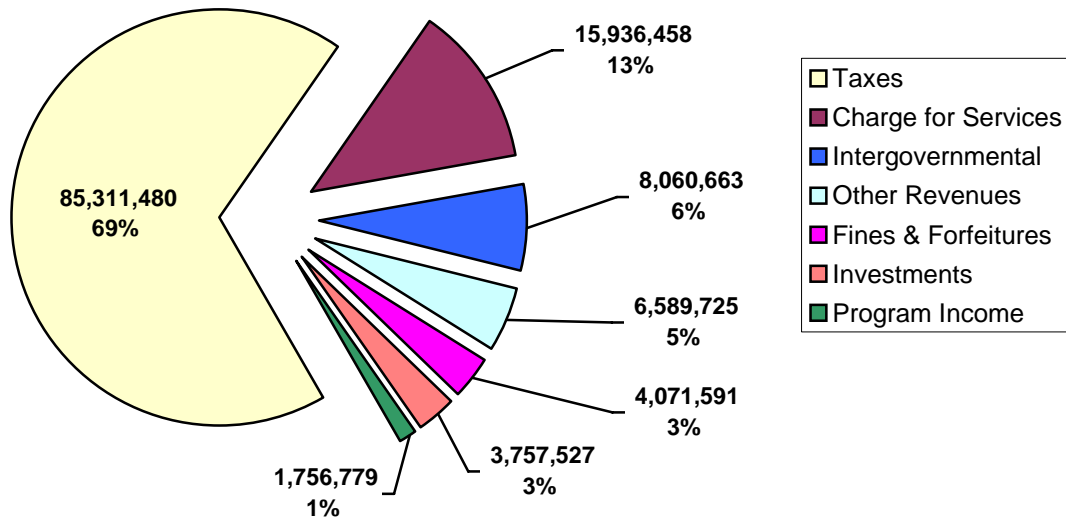
for appropriation and are thus reserved. The *designated* portion of fund balance consists largely of funds set aside in the General Fund, pursuant to City policy, for emergencies, contingencies, and revenue shortfalls caused by economic downturns. The policy requires that all operating funds, including the General Fund, set aside an amount equal to 25% of its operating budget. As discussed later in this report, reserves were required to be used to balance the current year budget, accordingly reserves fell below the policy amount at June 30, 2005. This use of reserves is due to an economic downturn as provided for in the reserve policy and the City has prepared a multi-year plan to balance the operating budget by no later than fiscal year 2008 and restore the reserves to their proper levels in subsequent years.

### ***Results of Operations***

Revenues of the governmental funds totaled \$124.6 million for the fiscal year ended June 30, 2005. As shown below, the largest component of total revenue was Taxes at \$85.3 million, making up 69% of total governmental funds revenues. This is consistent with the nature and purpose of governmental funds, particularly the General Fund, in that they include programs that are largely supported by general taxes. Taxes received by the General Fund include sales, transient occupancy, utility users, and property taxes. The Redevelopment Agency (RDA) is almost entirely funded from property tax revenues. This stems from the nature and purpose of redevelopment agencies in that improvements to “blighted” areas in the community are financed from the sale of bonds, which are repaid from the incremental property tax revenues that are generated as a result of the increased value of the properties realized from the improvements.

The adopted General Fund budget called for \$87.6 million of expenditures, including transfers (for capital).

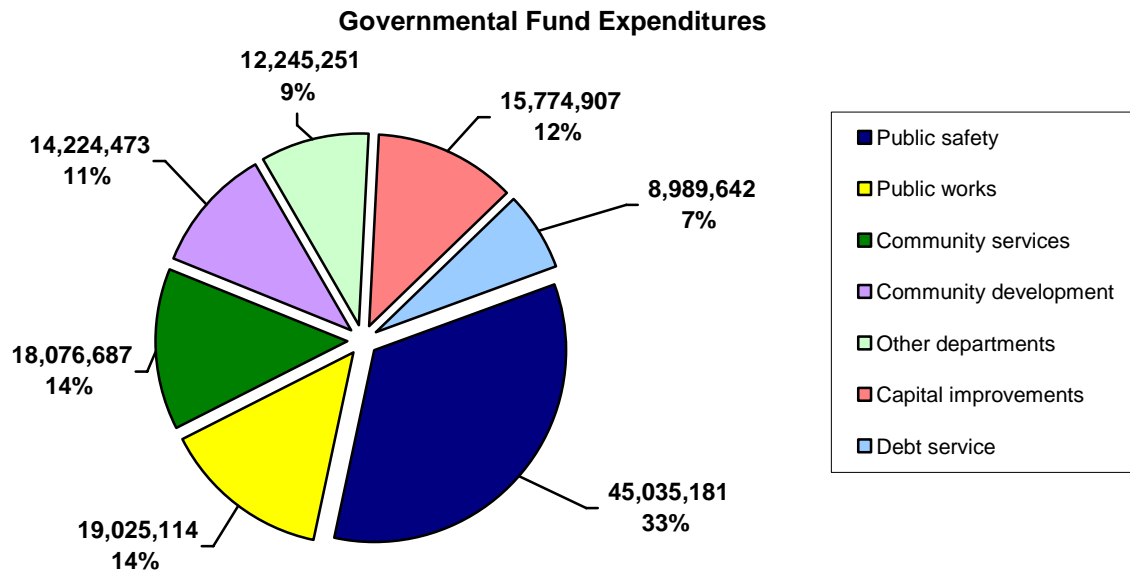
### **Governmental Funds Revenues**



Budget amendments totaling \$3.9 million increased the amended budget to \$91.5 million. The budget amendments are summarized as follows: (1) Appropriations tied to outstanding encumbrances of \$1.1 million were carried forward from fiscal year 2004; (2) Bargained labor agreements increased budgeted salary and benefits by \$1.8 million; (3) Renovation of the Police Department Lobby increased the budget by \$670,000; (4) Contracts for professional services in Community Development and Finance increased the budget by \$144,000; and (5) Grants for community programs and services added \$106,000 to the budget.

Total governmental expenditures totaled \$133.4 million for the fiscal year. As always, a large portion (approximately 34%) of overall expenditures relates to fire and police (public safety). Virtually all of these costs are funded out of the General Fund, consuming almost 53% of total General Fund revenues. A total of \$18.1 million was expended for Community Services, which includes library, parks and recreation; \$19 million was

spent on Public Works, which includes significant funding towards the City's streets maintenance and capital programs.



In total, governmental funds ended the year with a net decrease in fund balance of almost \$1.7 million. As such, the City's total available resources for financing next year's programs and services decreased from the end of last year. This total includes a net "loss" (i.e., use of reserves) in the General Fund of over \$3 million. This use of reserves is consistent with the long-term plan of addressing the projected operating deficits in the General Fund through fiscal year 2008. The use of reserves is part of a multi-year plan that began in fiscal year 2002, which has also included ongoing cuts in expenditures and increased fees, to achieve a balanced operating budget by fiscal year 2008. The General Fund's final budget included the planned use of reserves totaling over \$8.3 million but the fund only used \$3 million in reserves due to better-than-expected revenue and expenditure results. The RDA general & housing funds ended the year with a \$1.9 million increase in fund balance while the other RDA funds showed a \$2 million decrease in fund balance, primarily due to construction of the Granada Garage as accumulated bond proceeds are increasingly consumed by construction costs.

## Proprietary Funds

### *Analysis of Year-End Balances*

Assets of the proprietary funds totaled \$324.4 million as of June 30, 2005. Of this total, \$209.8 million (65%) consisted of capital assets used in the operations of the various funds. This is consistent with the nature and purpose of the services provided by proprietary funds, which include the Water, Wastewater, Airport, Golf, Waterfront, and Downtown Parking Funds. These services are highly capital intensive and require ongoing funding for capital maintenance and improvement.

Cash and investments (including cash with fiscal agents) is the second largest asset category, comprising almost 29% of total assets. As of June 30, 2005, total cash and investments (including cash and investments with fiscal agents) of proprietary funds totaled \$94.3 million, which is a \$26.5 million increase from the prior year balance of \$67.8 million. The \$26.5 million increase was primarily due to a new bond issue (\$20.4 million) sold by the Wastewater Fund and positive cash flow (\$9.7 million) in the Water Fund.

The Wastewater Fund received \$19.9 million (net) from the sale of sewer revenue bonds in July 2004, issued to finance capital renovations and improvements to the wastewater system and ended the year with an increase of \$17.2 million in cash. The Wastewater Fund spent approximately \$5.7 million on capital projects and debt service during the year. The Water Fund cash increased almost \$9.7 million due to an \$8.2 million increase in cash from operating activities. This favorable result is due primarily to a 4% rate increase and lower-than-budgeted expenses for salaries & benefits and supplies & services. Construction costs of the Cater and Sheffield

projects were financed by low-interest loans from the State Department of Water Resources and, therefore, had little impact on net cash flows for the year. Airport operating activities generated \$4.7 million cash, due in large part to an approximate 10% increase in passenger counts during the year and a parking rate increase implemented in August 2004. This positive cash flow was partially offset by \$3.3 million spent on capital and related activity (\$6.4 million capital expense less \$3.4 million grant reimbursements).

Net assets of proprietary funds totaled \$215.1 million as of June 30, 2005, an increase of \$10.8 million from the prior year. Net assets include amounts invested in capital assets, net of depreciation, and unrestricted amounts. As of June 30, 2005, the portion of net assets invested in capital assets (net of related debt) was \$135.3 million, an increase of approximately \$1.2 million from \$136.5 million as of June 30, 2004. This increase corresponds to capital expenditures in fiscal year 2005, as discussed previously, offset by the amount of the expenditures financed by the issuance of debt and current year depreciation. Net assets restricted for debt service increased \$1.4 million from \$3.3 million to \$4.7 million. The unrestricted portion of net assets increased \$10.5 million from approximately \$64.6 million to \$75.1 million. The increase in unrestricted net assets is mostly due to the \$8.2 million net income of the enterprise funds. Over time, however, these funds will be used for capital improvements scheduled over the next several years.

### ***Results of Operations***

Total proprietary fund operating revenues for the fiscal year ended June 30, 2005, were approximately \$67.1 million, an increase of \$3.8 million (6%) from prior year. Operating revenues increased in all funds. The Water and Wastewater Funds each had an increase in operating revenues of \$1.3 million, while Airport Fund operating revenues increased \$919,000, accounting for most of the increase. Effective on July 1, 2005, water service rates were increased by 4% and wastewater charges were increased by 16%. These rate changes were expected to generate approximately \$2 million in additional sales revenues in the Water Fund and \$1.4 million in additional service charge revenues in the Wastewater Fund. The actual increase in revenue is dependent on both the rates and water usage; therefore, it will not exactly mirror the rate increase percentage. Additionally, a portion of the wastewater charge is fixed and does not change with water usage. Operating revenues increased by 5.2% in the Water Fund and 12.9% in the Wastewater Fund.

Service charge revenue and lease revenue were primarily responsible for the increase in Airport Fund revenues. Service charge revenue is the passenger facility charge (PFC) that is charged to each passenger that departs from, or arrives at, the airport. Passenger traffic increased by approximately 10% this year and contributed to the substantial increase (\$461,000) in PFC revenue. Lease and rent revenue increased primarily as a result of \$380,000 of increased terminal lease revenue, which includes parking, car rentals, and concessions, all of which were positively impacted by the substantial increase in passenger traffic.

Operating expenses of proprietary funds totaled approximately \$61.8 million, a \$209,000 increase from the prior year. This small net increase is attributable to offsetting changes across the various proprietary funds. The largest increase of \$567,000 is attributable to the Water Fund while the largest decrease of \$769,000 is attributable to the Airport Fund. Salary and benefit costs increased in all of the funds due to negotiated salary increases, increased health care costs, and higher retirement contributions. These increased costs were mitigated to a degree by decreases in variable costs for supplies, chemicals, equipment repairs, professional services, and utilities. Expenses of the Airport Fund decreased due to a \$239,000 decrease in depreciation expense related to assets that were fully depreciated in prior years, and a \$498,000 decrease in expenses for the resurface program.

Non-operating revenues, which include taxes, investment income, grants/contributions, and other miscellaneous revenues, decreased slightly (\$174,000) from the prior year. Investment income increased significantly (approximately \$1.6 million) across all proprietary funds due to three primary reasons: 1) The adjustment to the fair market value of investments as required by GASB 31 decreased approximately \$1 million this year; 2) Interest rates have been increasing and the City's investment yield has increased; and 3) Unspent bond proceeds from the 2004 sewer revenue bonds generated investment earnings throughout the fiscal year.

## GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

The General Fund is the main operating fund of the City. Its revenues are primarily derived from taxes and intergovernmental sources, which are used to pay for the traditional services provided by local government - public safety, library, parks & recreation, community development (building and planning), and public works.

The originally adopted budget of the General Fund, including transfers, totaled \$87.6 million, including \$1 million in operating transfers. Budgeted revenues were \$83.4 million yielding a \$4.2 million budgeted net use of reserves. The amended budget, which includes unspent, but encumbered appropriations carried forward from fiscal year 2004, as well as Council-approved adjustments during the year, totaled \$91.5 million. The amended revenue budget was \$83.3 million, resulting in an \$8.3 million budgeted net use of reserves. The actual use of reserves was only \$3 million, resulting in a \$5.2 million favorable budget variance.

This favorable result was attributable to several factors: First, revenues came in over budget by \$1.2 million. This positive variance is due to the unbudgeted receipt of approximately \$1.5 million from the sale of a receivable from the State of California for unpaid vehicle license fees. Second, on the expenditure side, salaries and benefit savings from vacancies yielded a \$2 million favorable variance. In addition to the normal savings generated from vacancies, approximately \$1 million was the result of the City's refinancing of the unpaid retirement liability. Finally, other significant savings include the unspent appropriated reserves of \$328,000, and spending on special projects was \$462,000 under budget.

Although substantially under budget, the \$3 million use of reserves represents the second year in a row that reserves were used to cover operating costs, and is part of the long-term plan for addressing the projected operating deficits in the General Fund through fiscal year 2008. The use of reserves is part of a multi-year plan that began in fiscal year 2002, which has also included ongoing cuts in expenditures and increased fees.

**Table 5**  
**SUMMARY OF REVENUES**  
**GENERAL FUND**  
**Fiscal Year Ended June 30, 2005**

	Annual Budget	Actual	Variance	
			\$	%
Sales & Use Tax	\$ 18,994,900	\$ 18,948,766	\$ (46,134)	-0.2%
Property Tax	10,637,763	16,076,041	5,438,278	51.1%
Utility Users Tax	5,837,700	5,802,186	(35,514)	-0.6%
Transient Occupancy Tax	10,684,900	11,081,510	396,610	3.7%
Franchise Fees	2,106,600	2,124,151	17,551	0.8%
Business License Tax	1,982,500	2,036,552	54,052	2.7%
Property Transfer Tax	618,000	718,762	100,762	16.3%
Total Taxes	<u>50,862,363</u>	<u>56,787,968</u>	<u>5,925,605</u>	11.7%
License & Permits	79,627	96,980	17,353	21.8%
Fines & Forfeitures	2,714,872	2,594,148	(120,724)	-4.4%
Use of Money & Property	1,629,810	1,159,124	(470,686)	-28.9%
Intergovernmental	6,468,525	2,758,702	(3,709,823)	-57.4%
Fee & Services	15,257,522	14,666,229	(591,293)	-3.9%
Miscellaneous	5,533,459	5,660,600	127,141	2.3%
Transfers In	725,000	697,954	(27,046)	-3.7%
Total Revenues	<u>\$ 83,271,178</u>	<u>\$ 84,421,705</u>	<u>1,150,527</u>	1.4%

As discussed in more detail below, the actual results of the General Fund for the year ended June 30, 2005, were much more favorable than anticipated. Revenues were \$1.2 million over budget while expenditures ended the year \$4.1 million under budget. This resulted in a \$5.2 million favorable variance between budget and actual. Table 5 above compares actual General Fund revenues to budget for the year ended June 30, 2005.

Although sales & use tax revenues and utility users tax (UUT) revenues fell short of budget by \$46,134 and \$35,514, respectively, total tax revenues ended the year \$594,626 (1.1%) above budget. This favorable variance was primarily due to the strong growth of 6.9% in transient occupancy tax (TOT) revenues from the prior year and continued strength in the local real estate market yielding a 9.7% growth rate in property taxes from last year. In addition to significant growth from the prior year, TOT revenues ended the year \$397,000 (3.7%) ahead of budget and property taxes surpassed budget by \$107,000 (0.7%). Additionally, real property transfer tax revenues exceeded budget by \$101,000 (16.3%). Sales tax revenue showed sustained growth throughout the year, missing budget by only \$46,000 (0.2%). Total revenues were above prior year totals by over \$4.9 million and exceeded budget by \$1.2 million.

In spite of the strong growth of 5.2% from prior year, General Fund revenues would have fallen below budget if not for the unbudgeted receipt of \$1.5 million from the sale of a receivable from the State for unpaid vehicle license fee revenues. Fee and Services revenue was the most significant negative variance from budget, ending the year \$587,000 (3.8%) under budget but still \$720,000 (5.2%) ahead of prior year. The current shortfall is primarily due to the Community Development Department (\$745,000) and Parks & Recreation (\$143,000). In the Community Development Department, in spite of its heavy work load, many of the revenues associated with the work performed did not materialize during the fiscal year. This is particularly evident in the area of building permits where revenues ended the year \$472,000 below budget. A significant number of plan checks have been completed, with the plans approved, but the revenues will not be realized until the final building permits are received. Other revenues also ended the year slightly below budgeted estimates for various reasons.

Parks & Recreation Department revenues for fees and services ended the year approximately \$143,000 under budget. The largest factor was in the Seniors Program, where revenues were approximately \$120,000 under budget. Due to competition from various organizations in the community, the City is no longer offering the senior tours program. This program alone accounted for over \$95,000 of the revenue shortfall.

**Table 6**  
**SUMMARY OF EXPENDITURES**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2005**

Department	Amended Budget	YTD Actual	Budget Variance	
			\$	%
Mayor & council	\$ 532,230	\$ 465,399	\$ 66,831	12.6%
City attorney	1,922,435	1,713,286	209,149	10.9%
City administration	1,319,721	1,755,806	(436,085)	-33.0%
Administrative services	2,320,504	1,359,991	960,513	41.4%
Finance	4,705,915	4,511,603	194,312	4.1%
Police	28,839,934	27,923,354	916,581	3.2%
Fire	16,601,286	16,413,489	187,797	1.1%
Public works	5,123,265	4,917,510	205,755	4.0%
Parks & recreation	12,711,258	11,934,598	776,660	6.1%
Library	4,115,146	3,924,301	190,845	4.6%
Community development	8,767,794	8,202,762	565,032	6.4%
General government	2,879,876	2,439,166	440,710	15.3%
Total	<u>\$ 89,839,365</u>	<u>\$ 85,561,265</u>	<u>\$ 4,278,100</u>	4.8%



As shown in Table 6 above, General Fund expenditures for the year ended June 30, 2005, were \$85.6 million (excluding transfers), resulting in a favorable variance from budget of \$4.1 million (4.6%). All departments kept within their legal spending authority. In general, year-end expenditures typically fall below budget due to a few key factors: First, due to the normal turnover in staffing and delays in filling vacancies, the General Fund realized salary and benefit savings of over \$2 million (2%). Secondly, certain costs are typically encumbered and carried forward each year and, by their nature, create variances between budgeted and actual expenditures at year-end. Year-end encumbrances totaled over \$1.1 million and are essentially timing differences rather actual savings. Finally, the City was able to reduce retirement contributions by almost \$1 million in the General Fund by refinancing the City's unfunded liability with the California Public Employees Retirement System (PERS). Special projects also create year-end variances because they typically cross fiscal years and thus often leave substantial unexpended balances at year-end. Special projects came in under budget and included approximately \$259,000 in appropriations for special projects that were carried forward into fiscal year 2006.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Table 7 below summarizes the City's capital assets by class and by type of activity. It is important to note that capital assets are reported at historical cost, net of accumulated depreciation. These amounts do not represent the market value or replacement cost of City assets, which would be significantly higher. Historical cost is used, pursuant to accounting standards, to provide an objective basis for reporting capital assets.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
Non-depreciating assets:			
Land	\$ 47,795,017	\$ 19,201,133	\$ 66,996,150
Infrastructure	3,656,501	-	3,656,501
Construction in Progress	19,160,441	38,173,936	57,334,377
Depreciating assets:			
Buildings	9,109,917	11,672,885	20,782,802
Building Improvements	981,100	2,111,769	3,092,869
Improvements Other Than Buildings	16,632,044	93,942,131	110,574,175
Equipment	6,821,337	8,906,367	15,727,704
Underground Piping	-	35,774,847	35,774,847
<b>TOTALS</b>	<b>\$ 104,156,357</b>	<b>\$ 209,783,068</b>	<b>\$ 313,939,425</b>

As shown in Table 7, capital assets totaled \$313.9 million, an increase of \$24.8 million from prior year, with \$12.8 million of the increase relating to business-type activities and \$12 million relating to governmental activities. Approximately \$6.8 million was spent and added to Construction in Progress (CIP) during the year for two major Water Fund projects: the Sheffield Reservoir Project and the Cater Water Treatment Plant Project. Both projects are being financed by low-interest, long-term loans from the State of California Department of Water Resources. The Cater Strategic Plan includes projects that will ensure compliance with U.S. Environmental Protection Agency Drinking Water Regulations. The Sheffield Project involves replacing an uncovered reservoir with two 6.5 million gallon buried concrete reservoirs in order to comply with more stringent drinking water standards. The Wastewater Fund added \$4.2 million to CIP for sewer line replacements and renovations to the sewer system and plant. Airport Fund CIP additions totaled \$6.1 million for various projects including terminal expansion, runway renovation and relocation, and security enhancements. The Waterfront Fund incurred \$2.7 million in CIP additions, the majority of which relate to the Chandlery Building

remodel. This project includes constructing permanent office space for the Waterfront Department staff. These additions were offset by \$10.4 million of depreciation this fiscal year. The increase in capital assets of the governmental funds primarily relates to construction of the Granada Garage, where the RDA spent almost \$11 million on the project this fiscal year.

The largest class of assets is "Improvements Other Than Buildings," totaling over \$110.6 million. These assets include improvements to land, parking structures, and other improvements to assets other than buildings. The majority of these assets is included in the business type activities and is an integral part of their operations.

Infrastructure assets include roads, curbs, gutters, street lights, bridges, etc. Governmental funds have been required to capitalize the costs of acquiring or constructing infrastructure assets beginning in fiscal year 2002. As shown in Table 7, the cost of infrastructure constructed since fiscal year 2002 totaled \$3.7 million. Pursuant to GASB 34, the City is required to capture infrastructure assets acquired or constructed since fiscal year 1981 by fiscal year 2006. Clearly, infrastructure assets are a significant component of total City assets. Therefore, by fiscal year 2006, infrastructure assets will represent a more significant portion of total assets in the schedule contained in Table 7.

The streets pavement subsystem of the road network is reported using the modified approach allowed by GASB 34. The City has established a pavement condition assessment process where approximately one-third of the entire sub-system is assessed on a rotating basis each year. Each road segment is rated and given a pavement condition index (PCI) value from zero to one hundred (0-100), where PCI's of 40 or higher are considered to be in "Fair" or better condition, and roads with PCI's of 55 or higher are considered to be in "Good" or better condition. Pursuant to the modified approach, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized. At June 30, 2005, the average PCI for City streets was 72, which is defined as "very good". Eighty nine percent of the City's streets were considered to be in "good to excellent" condition, six percent of the streets were rated in "fair" condition, and only five percent were considered to be in "poor or substandard" condition.

Additional information on the City of Santa Barbara's capital assets can be found in Notes 1 and 4 of this report.

## Long-Term Debt

Table 8 below summarizes outstanding long-term debt, excluding outstanding claims payable, associated with both Governmental Activities and Business-Type Activities.

<p style="text-align: center;"><b>TABLE 8</b>  <b>SUMMARY OF OUTSTANDING DEBT</b>  <b>Fiscal Year Ended June 30, 2005</b></p>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Certificates of Participation	\$ 3,511,200	\$ 33,738,800	\$ 37,250,000
Revenue Bonds	-	25,555,000	25,555,000
Tax Allocation Bonds	84,650,000	-	84,650,000
Loans	-	34,775,629	34,775,629
	<u>\$ 88,161,200</u>	<u>\$ 94,069,429</u>	<u>\$ 182,230,629</u>

As shown in Table 8, the City had approximately \$182.2 million in long-term debt outstanding at June 30, 2005. This is a net increase of \$33.6 million from the prior year.

With respect to the Governmental Activities, the outstanding \$3.5 million in certificates of participation (COP's) were issued in fiscal year 2002 to refund the 1993 COP's, thereby capturing more favorable interest rates and lowering interest costs. These COP's are the only debt of the General Fund and total just 4.2% of total General Fund revenues. The outstanding \$85 million tax allocation bonds relate to the City's Redevelopment Agency. This includes the 2001, 2003A, and 2004A Tax Allocation Bonds issued in July 2001, December 2003, and July 2004, respectively, to fund the construction of a new parking structure on Lot No. 6, senior affordable housing, and other redevelopment projects.

The outstanding \$34.8 million in loans payable relate to the Water Fund. This includes low-interest loans from the State Department of Water Resources for the Sheffield Reservoir Project and the Cater Water Treatment Plant Plan Project, as discussed previously in this report. The Wastewater Fund issued \$20.4 million in sewer revenue bonds this fiscal year to fund renovations to the City's wastewater collection and treatment systems.

Additional information on the City of Santa Barbara's long-term debt can be found in Note 6 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The fiscal environment facing the City of Santa Barbara has been difficult for the past three years. It has been influenced by three major factors: a sluggish national and state economy, rising salary & benefit costs, and severe State budget problems. As a result of these factors, the City adopted another one-year budget instead of the normal two-year financial plan for fiscal year 2005. Economic indicators began to show improvement in the prior year and have shown signs of continued growth during fiscal year 2005. With many of the uncertainties now resolved with the State budget, the City will resume a two-year financial plan beginning in fiscal year 2006.

The local economy is continuing to show signs of a recovery. Two of the most significant trends are the steady growth of airport passenger counts and increased TOT revenues. In fiscal year 2004, airport passenger counts finally returned to and exceeded the pre-September 11 levels. This trend continued into fiscal year 2005 with growth rates approaching 10% from prior year levels. This is especially significant when compared to a national average growth of 4.7%. TOT revenues are a good measure of local economic conditions, indicating an increase or decrease of overnight visitors to the City. TOT revenues increased 5.1% in fiscal year 2004 and increased an additional 6.9% in fiscal year 2005. This trend is expected to continue into fiscal year 2006 where we are projecting a 4.5% annual increase.

Sales tax revenue is another key indicator of the health of the local economy as it is heavily influenced by the number of visitors and tourists coming to the City. This indicator has yet to show the growth that we have expected, especially when considered with the increase of TOT revenues, growing at a moderate 2.9% this fiscal year.

Property tax revenues have continued their strong, sustained growth, increasing 9.7% in fiscal year 2005 even though the City's ERAF contribution increased to \$1.25 million for fiscal years 2005 and 2006. Between 1997 and 2004, property tax revenues increased an average of 9% per year. In the last three years, despite the impacts of the recession on other key revenues, property values appreciated considerably. While some economists have predicted that increasing housing prices would slow or drop in the near future, housing prices and property sales have continued to increase. Accordingly, the City has budgeted a 7% increase in property tax revenues in fiscal year 2006.

In connection with the 2005 State budget, the Governor and a coalition of local government officials successfully placed Proposition 1A on the November 2004 ballot. The measure was overwhelmingly approved by the voters and provides enhanced Constitutional protection to local government revenues, preventing the State from taking local government revenues in the future. The State would still be able to borrow property taxes from the local governments, but only if: (1) the Governor proclaims a "significant State fiscal hardship," (2) the Legislature approves the borrowing with a 2/3 vote, and (3) the State repays any outstanding loans from local governments with interest. In return for this protection of local revenues, the agreement required local governments to endure two years of significant revenue losses. Specifically, 1.3 billion, statewide, in local property tax revenues was shifted to the state in fiscal years 2005 and 2006. The City of Santa Barbara's annual share of the shift is \$1.25

million in fiscal years 2005 and 2006. In addition to the City's share, the Redevelopment Agency's share of the annual property tax shift is \$1.3 million in fiscal years 2005 and 2006.

The biggest challenge to balancing the fiscal year 2005 budget was not the sluggish economy, but rising retirement costs and health care costs. The challenges facing the City are not unique and virtually all cities across the State are facing increasing costs related to health care, retirement contributions, workers' compensation costs and property and liability insurance premiums. Due to the poor performance of the PERS investment portfolio from 2001 through 2003, the City has realized major increases in retirement costs in recent years. In fiscal year 2005, required contributions to PERS rose by \$3.7 million. These costs are scheduled to increase in fiscal year 2006 by another \$1.5 million.

As a result of sound budget policies and fiscal management, the City of Santa Barbara is well positioned to meet the current and upcoming challenges. Although increasing healthcare and retirement costs continue to affect the City budget, these impacts have been incorporated into the multi-year forecasts, and measures have been implemented to address rising costs. In addition, during the "boom" years of the late 1990's, the City retained a portion of the revenue growth to increase its reserve levels specifically designated for economic downturns. These reserves will continue to be used, as needed, over the next few years to ease the organization through the transition to a balanced operating budget by fiscal year 2008.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, separate reports of the City's component unit (Redevelopment Agency), or need any additional financial information, please access the City's internet web site at [www.SantaBarbaraCa.gov/government/finance](http://www.SantaBarbaraCa.gov/government/finance). You may also contact the City's Finance Department at PO Box 1990 (735 Anacapa Street), Santa Barbara, California, 93110, (805) 564-5336, or email Robert Samario, Assistant Finance Director at [bsamario@SantaBarbaraCa.gov](mailto:bsamario@SantaBarbaraCa.gov).

**CITY OF SANTA BARBARA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 82,379,535	\$ 71,221,007	\$ 153,600,542
Accounts receivable, net	7,305,206	4,126,235	11,431,441
Accrued interest receivable	1,991,427	-	1,991,427
Due from other agencies	856,970	1,015,377	1,872,347
Due from fiduciary funds	20,525	-	20,525
Internal balances	(1,216,941)	1,216,941	-
Inventory	721,691	-	721,691
Prepaid assets	-	4,463,102	4,463,102
Deferred charges	2,805,861	3,611,328	6,417,189
Loans receivable	42,438,121	7,054,835	49,492,956
Assets available for resale	433,952	-	433,952
Restricted assets:			
Cash and investments with fiscal agents	56,933,602	23,096,454	80,030,056
Capital assets not being depreciated:			
Land	47,795,017	19,201,133	66,996,150
Construction in progress	19,160,441	38,173,936	57,334,377
Capital assets net of accumulated depreciation:			
Buildings	9,109,917	11,672,885	20,782,802
Building improvements	981,100	2,111,769	3,092,869
Other improvements and drainage systems	16,632,044	93,942,132	110,574,176
Equipment	6,821,337	8,906,367	15,727,704
Infrastructure	3,656,501	-	3,656,501
Underground piping	-	35,774,847	35,774,847
Total assets	<u>298,826,306</u>	<u>325,588,348</u>	<u>624,414,654</u>
<b>LIABILITIES</b>			
Accounts payable	4,911,862	4,879,625	9,791,487
Accrued interest payable	1,019,712	681,516	1,701,228
Accrued salaries and benefits	1,896,538	343,854	2,240,392
Other accrued liabilities	319,180	-	319,180
Deposits	804,880	1,538,894	2,343,774
Unearned revenue	10,970,139	7,869,577	18,839,716
Compensated absences payable	4,189,741	1,077,358	5,267,099
Noncurrent liabilities:			
Due within one year	8,715,689	2,422,289	11,137,978
Due in more than one year	89,170,119	91,647,140	180,817,259
Unamortized debt premium	1,229,521	-	1,229,521
Total liabilities	<u>123,227,381</u>	<u>110,460,253</u>	<u>233,687,634</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	80,483,403	135,336,148	215,819,551
Restricted for capital projects	18,076,222	-	18,076,222
Restricted for specific projects and programs	50,981,354	-	50,981,354
Restricted for debt service	1,830,199	4,704,123	6,534,322
Unrestricted	24,227,747	75,087,824	99,315,571
Total net assets	<u>\$ 175,598,925</u>	<u>\$ 215,128,095</u>	<u>\$ 390,727,020</u>

See accompanying notes to basic financial statements

**CITY OF SANTA BARBARA**  
**STATEMENT OF ACTIVITIES**  
**Fiscal Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
Administration	\$ 10,138,893	\$ 1,599,733	\$ -	\$ -	\$ (8,539,160)	\$ -	\$ (8,539,160)
Public safety	45,652,857	8,091,939	1,642,755	-	(35,918,163)	-	(35,918,163)
Public works	19,915,414	7,822,255	6,236,584	1,382,874	(4,473,701)	-	(4,473,701)
Community services	19,607,170	4,699,289	2,462,145	2,216,294	(10,229,442)	-	(10,229,442)
Community development	17,002,515	4,259,496	2,223,923	-	(10,519,096)	-	(10,519,096)
Interest on long term debt	4,080,594	-	-	-	(4,080,594)	-	(4,080,594)
Total governmental activities	116,397,443	26,472,712	12,565,407	3,599,168	(73,760,156)	-	(73,760,156)
Business activities:							
Water	23,168,564	26,492,484	13,190	-	-	3,337,110	3,337,110
Wastewater	10,908,781	11,378,893	-	-	-	470,112	470,112
Airport	11,785,672	13,186,678	-	3,397,496	-	4,798,502	4,798,502
Waterfront	10,164,356	9,899,268	-	42,558	-	(222,530)	(222,530)
Parking	4,925,527	4,968,427	-	-	-	42,900	42,900
Golf course	1,876,696	1,974,869	-	-	-	98,173	98,173
Total business-type activities	62,829,596	67,900,619	13,190	3,440,054	-	8,524,267	8,524,267
Total	\$ 179,227,039	\$ 94,373,331	\$ 12,578,597	\$ 7,039,222	(73,760,156)	8,524,267	(65,235,889)
General revenues:							
Taxes:							
Sales & use							
					30,582,276	-	30,582,276
Property							
					30,022,151	-	30,022,151
Real property transfer							
					718,762	-	718,762
Transient occupancy							
					11,081,510	-	11,081,510
Business license							
					2,036,552	-	2,036,552
Franchise fees							
					2,124,151	-	2,124,151
Unrestricted motor vehicle license-in-lieu							
					2,297,056	-	2,297,056
Investment income							
					3,409,647	2,329,141	5,738,788
Other revenue							
					2,024,564	-	2,024,564
Transfers							
					69,836	(69,836)	-
Total general revenues and transfers					84,366,505	2,259,305	86,625,810
Change in net assets					10,606,349	10,783,572	21,389,921
Net assets, beginning of fiscal year					164,992,576	204,344,523	369,337,099
Net assets, end of fiscal year					\$ 175,598,925	\$ 215,128,095	\$ 390,727,020

See accompanying notes to basic financial statements

**CITY OF SANTA BARBARA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005**

		Special Revenue Funds		Capital Projects Fund		
	General Fund	Redevel- opment Agency	Community Development Block Grant	Redevel- opment Agency	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>						
Cash and investments	\$ 22,554,957	\$ 11,322,895	\$ 3,219	\$ 12,981,064	\$ 20,568,372	\$ 67,430,507
Cash and investments with fiscal agents	-	584,623	-	55,097,518	1,251,461	56,933,602
Accounts receivable	5,004,403	111,862	-	-	1,680,359	6,796,624
Accrued interest receivable	1,044,408	-	-	947,019	-	1,991,427
Loans receivable	2,468,250	30,084,253	6,778,457	-	3,107,161	42,438,121
Due from fiduciary funds	20,525	-	-	-	-	20,525
Due from other agencies	86,345	-	-	100,639	651,228	838,212
Interfund receivable	1,610,191	192,909	-	-	151,176	1,954,276
Advances to other funds	1,635,517	-	-	-	-	1,635,517
Assets available for resale	-	433,952	-	-	-	433,952
<b>Total assets</b>	<b>\$ 34,424,596</b>	<b>\$ 42,730,494</b>	<b>\$ 6,781,676</b>	<b>\$ 69,126,240</b>	<b>\$ 27,409,757</b>	<b>\$ 180,472,763</b>
<b><u>Liabilities and Fund Balances</u></b>						
<b><u>Liabilities:</u></b>						
Accounts payable	\$ 1,127,363	\$ 121,520	\$ 24,020	\$ 1,660,122	\$ 1,447,778	\$ 4,380,803
Accrued salaries and benefits	1,806,386	-	5,363	-	-	1,811,749
Other accrued liabilities	-	-	-	-	319,180	319,180
Interfund payables	192,909	-	18,550	-	1,742,817	1,954,276
Deposits	448,255	226,608	-	-	130,017	804,880
Deferred revenue	1,026,331	192,909	6,731,396	-	3,212,412	11,163,048
Loans payable	-	750,000	-	-	-	750,000
<b>Total liabilities</b>	<b>4,601,244</b>	<b>1,291,037</b>	<b>6,779,329</b>	<b>1,660,122</b>	<b>6,852,204</b>	<b>21,183,936</b>
<b><u>Fund balances:</u></b>						
Reserved	4,394,973	41,439,457	2,347	67,466,118	21,409,126	134,712,021
Unreserved:						
Designated	24,974,039	-	-	-	-	24,974,039
Undesignated, reported in:						
General fund	454,340	-	-	-	-	454,340
Capital projects funds	-	-	-	-	538,850	538,850
Special revenue funds	-	-	-	-	(1,390,423)	(1,390,423)
<b>Total fund balances</b>	<b>29,823,352</b>	<b>41,439,457</b>	<b>2,347</b>	<b>67,466,118</b>	<b>20,557,553</b>	<b>159,288,827</b>
<b>Total liabilities and fund balances</b>	<b>\$ 34,424,596</b>	<b>\$ 42,730,494</b>	<b>\$ 6,781,676</b>	<b>\$ 69,126,240</b>	<b>\$ 27,409,757</b>	<b>\$ 180,472,763</b>

See accompanying notes to basic financial statements

**CITY OF SANTA BARBARA**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS**  
**OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS**  
**June 30, 2005**

Total Governmental fund balances (page 32)	\$ 159,288,827
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities, that are not included in internal service funds, are not financial resources and, therefore, are not reported in the funds.	99,176,503
Costs incurred to refund bonds are an expenditure in the governmental fund but they must be reported as deferred charges in the government-wide financial statements.	284,985
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.	(19,084)
Governmental long-term liabilities including compensated absences and excluding those liabilities in the City's internal service funds, are not due and payable in the current period and, therefore, are not reported in the funds.	(92,090,368)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred in the government-wide financial statements.	(1,019,712)
Government funds report debt costs such as issuance costs, discounts, and losses on advance refunding are reported as an expenditure when those costs are first incurred because they require the use of current financial resources. However, debt issuance costs must be included as a deferred charge or premium on debt in the government-wide financial statements.	1,310,439
Internal service funds are used by management to charge the costs of management of fleet maintenance, printing and reproduction, worker's compensation, employee benefits, and personal injury and property damage to individual funds. The assets and liabilities are included in the governmental activities in the statement of net assets.	8,004,710
Certain sales tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	469,716
Certain special assessment revenues are earned but unavailable to pay for current period expenditures, and, therefore, are deferred in the funds.	192,909
Net assets of governmental activities (page 30)	<u>\$ 175,598,925</u>

See accompanying notes to basic financial statements



**CITY OF SANTA BARBARA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2005**

		Special Revenue Funds		Capital Projects Fund		
	General Fund	Redevel- opment Agency	Community Development Block Grant	Redevel- opment Agency	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 56,787,968	\$ 13,946,110	\$ -	\$ -	\$ 14,577,402	\$ 85,311,480
Intergovernmental	2,758,702	-	1,070,570	-	4,231,391	8,060,663
Fines and forfeitures	2,594,148	-	-	-	1,477,443	4,071,591
Use of money and property	1,159,124	792,064	-	1,551,535	254,804	3,757,527
Charges for services	14,666,229	-	-	-	1,270,229	15,936,458
Program income	-	-	760,446	-	84,177	844,623
Other revenues	5,757,579	85,882	-	-	746,264	6,589,725
Total revenues	<u>83,723,751</u>	<u>14,824,056</u>	<u>1,831,016</u>	<u>1,551,535</u>	<u>22,641,710</u>	<u>124,572,068</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Mayor and council	465,399	-	-	-	-	465,399
City attorney	1,713,286	-	-	-	-	1,713,286
City administration	1,755,806	-	-	-	-	1,755,806
Administrative services	1,359,991	-	-	-	-	1,359,991
Finance	4,511,603	-	-	-	-	4,511,603
Public safety	44,336,842	-	-	-	698,339	45,035,181
Public works	4,917,510	-	-	-	14,107,604	19,025,114
Community services	15,858,899	-	-	-	2,217,788	18,076,687
Community development	8,202,762	3,828,920	1,829,198	-	363,593	14,224,473
Community promotions	2,439,166	-	-	-	-	2,439,166
Capital improvements	-	-	-	11,213,400	4,561,507	15,774,907
<b>Debt service:</b>						
Principal	-	-	-	2,085,000	2,664,500	4,749,500
Interest	-	91,554	-	3,039,684	803,787	3,935,025
Bond issuance costs	-	-	-	305,117	-	305,117
Total expenditures	<u>85,561,265</u>	<u>3,920,474</u>	<u>1,829,198</u>	<u>16,643,201</u>	<u>25,417,118</u>	<u>133,371,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,837,514)</u>	<u>10,903,582</u>	<u>1,818</u>	<u>(15,091,666)</u>	<u>(2,775,408)</u>	<u>(8,799,188)</u>
<b>Other financing sources (uses):</b>						
Proceeds from bond issuance	-	-	-	7,183,957	-	7,183,957
Transfers in	697,954	-	-	5,910,469	7,506,862	14,115,285
Transfers out	<u>(1,903,609)</u>	<u>(9,016,979)</u>	<u>(1,818)</u>	<u>-</u>	<u>(3,242,092)</u>	<u>(14,164,498)</u>
Total other financing sources (uses)	<u>(1,205,655)</u>	<u>(9,016,979)</u>	<u>(1,818)</u>	<u>13,094,426</u>	<u>4,264,770</u>	<u>7,134,744</u>
Net change in fund balances	(3,043,169)	1,886,603	-	(1,997,240)	1,489,363	(1,664,443)
Fund balances, beginning of fiscal year	<u>32,866,521</u>	<u>39,552,854</u>	<u>2,347</u>	<u>69,463,358</u>	<u>19,068,190</u>	<u>160,953,270</u>
Fund balances, end of fiscal year	<u>\$ 29,823,352</u>	<u>\$ 41,439,457</u>	<u>\$ 2,347</u>	<u>\$ 67,466,118</u>	<u>\$ 20,557,553</u>	<u>\$159,288,827</u>

See accompanying notes to basic financial statements

**CITY OF SANTA BARBARA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**  
**Fiscal Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities (page 31) are different because:

Net change in fund balances - total governmental funds (page 34)		\$ (1,664,443)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for general capital assets, infrastructure, and other related capital	14,452,941	
Less current year depreciation	<u>(2,441,240)</u>	12,011,701
Governmental fund revenues deferred in prior year due to unavailability were received in the current year but already booked in the statement of activities last year.		(88,344)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		(7,150,000)
Governmental funds report the effect of issuance costs and discounts/premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Deferred issuance costs	305,117	
Amortization of deferred issuance costs	<u>(33,957)</u>	271,160
Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		4,749,500
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(100,000)
Amortization of deferred debt costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are deferred and reported in the period when the liability exists in the statement of activities		(45,569)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue of certain activities of internal service funds is reported as governmental activities.		2,204,718
Governmental liabilities for compensated absences are not due until payable in the governmental funds, therefore, the changes in the liability are not reported as as expenditures in the governmental funds.		388,508
Certain sales tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		29,118
Adjusted change in net assets of governmental activities (page 31)		<u><u>\$ 10,606,349</u></u>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2005**

	Water	Wastewater	Airport
<b><u>Assets</u></b>			
<b>Current assets:</b>			
Cash and investments	\$ 25,453,565	\$ 10,611,791	\$ 18,416,152
Accounts receivable, net	3,089,888	1,005,294	9,703
Due from other agencies	-	-	986,682
Inventory	-	-	-
Prepaid assets	4,463,102	-	-
Total current assets	<u>33,006,555</u>	<u>11,617,085</u>	<u>19,412,537</u>
<b>Non-current assets:</b>			
Restricted assets:			
Cash and investments with fiscal agents	1,889,295	19,813,469	-
Unamortized bond issuance costs, net	390,919	451,174	-
Deferred charge-loss on defeasance, net	1,088,604	-	-
Loans receivable	7,054,835	-	-
Total other assets	<u>10,423,653</u>	<u>20,264,643</u>	<u>-</u>
Capital Assets:			
Land	2,218,187	3,508,672	7,310,000
Buildings	6,397,658	14,416,883	3,964,543
Building improvements	1,433,780	453,788	1,865,467
Improvements other than building	99,340,374	25,868,648	36,683,171
Equipment	7,556,475	9,967,850	2,164,517
Underground piping	45,909,319	26,419,668	-
Construction in progress	19,533,291	5,355,667	9,035,416
Less: accumulated depreciation	<u>(73,097,489)</u>	<u>(44,964,693)</u>	<u>(32,103,667)</u>
Total capital assets, net	<u>109,291,595</u>	<u>41,026,483</u>	<u>28,919,447</u>
<b>Total assets</b>	<u>152,721,803</u>	<u>72,908,211</u>	<u>48,331,984</u>
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Accounts payable	1,106,178	460,943	2,871,096
Accrued interest payable	328,281	136,000	-
Accrued salaries and benefits payable	87,562	60,281	61,304
Deposits	123,368	-	886,753
Deferred revenue	7,054,836	-	430,055
Compensated absences payable	347,228	199,849	180,614
Current portion claims payable	-	-	-
Current portion long term debt	1,273,389	525,000	-
Total current liabilities	<u>10,320,842</u>	<u>1,382,073</u>	<u>4,429,822</u>
<b>Non-current liabilities:</b>			
Long-term debt, net of current portion	53,552,240	19,210,000	-
Advances from other funds	-	-	-
Estimated claims liability, net of current portion	-	-	-
Total noncurrent liabilities	<u>53,552,240</u>	<u>19,210,000</u>	<u>-</u>
<b>Total liabilities</b>	<u>63,873,082</u>	<u>20,592,073</u>	<u>4,429,822</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	55,946,918	39,526,128	28,919,447
Restricted for debt service	1,887,866	1,422,994	-
Unrestricted	31,013,937	11,367,016	14,982,715
<b>Total net assets</b>	<u>\$ 88,848,721</u>	<u>\$ 52,316,138</u>	<u>\$ 43,902,162</u>
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			
Net assets of business-type activities			

See accompanying notes to basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
\$ 7,689,394	\$ 9,050,105	\$ 71,221,007	\$ 14,949,028
18,136	3,216	4,126,237	38,866
21,843	6,852	1,015,377	18,758
-	-	-	721,691
-	-	4,463,102	-
<u>7,729,373</u>	<u>9,060,173</u>	<u>80,825,723</u>	<u>15,728,343</u>
1,393,690	-	23,096,454	-
624,221	-	1,466,314	-
917,780	138,630	2,145,014	-
-	-	7,054,835	-
<u>2,935,691</u>	<u>138,630</u>	<u>33,762,617</u>	<u>-</u>
878,201	5,286,073	19,201,133	-
3,690,671	4,268,199	32,737,954	105,889
40,063	90,749	3,883,847	-
41,470,252	6,879,894	210,242,339	-
885,225	1,210,611	21,784,678	16,976,241
-	-	72,328,987	-
3,900,604	348,958	38,173,936	-
(30,678,923)	(7,725,033)	(188,569,805)	(12,102,279)
<u>20,186,093</u>	<u>10,359,451</u>	<u>209,783,069</u>	<u>4,979,851</u>
<u>30,851,157</u>	<u>19,558,254</u>	<u>324,371,409</u>	<u>20,708,194</u>
364,494	76,914	4,879,625	531,056
217,235	-	681,516	-
73,240	61,467	343,854	84,789
502,230	26,543	1,538,894	-
384,686	-	7,869,577	-
207,911	141,756	1,077,358	260,573
-	-	-	3,304,589
510,000	113,900	2,422,289	-
<u>2,259,796</u>	<u>420,580</u>	<u>18,813,113</u>	<u>4,181,007</u>
17,190,000	1,694,900	91,647,140	-
1,635,517	-	1,635,517	-
-	-	-	5,670,019
<u>18,825,517</u>	<u>1,694,900</u>	<u>93,282,657</u>	<u>5,670,019</u>
<u>21,085,313</u>	<u>2,115,480</u>	<u>112,095,770</u>	<u>9,851,026</u>
2,393,004	8,550,651	135,336,148	4,979,851
1,393,263	-	4,704,123	-
5,979,577	8,892,123	72,235,368	5,877,317
<u>\$ 9,765,844</u>	<u>\$ 17,442,774</u>	<u>212,275,639</u>	<u>\$ 10,857,168</u>
		2,852,456	
		<u>\$ 215,128,095</u>	

**CITY OF SANTA BARBARA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Water	Wastewater	Airport
<b>Operating Revenues:</b>			
<b>Charges for sales and services</b>			
Sales	\$ 24,447,594	\$ 10,957,350	\$ -
Service charges	1,961,468	416,221	1,729,923
Leases and rents	-	-	11,227,543
Other revenues	83,422	5,322	229,212
Total operating revenues	<u>26,492,484</u>	<u>11,378,893</u>	<u>13,186,678</u>
<b>Operating Expenses:</b>			
Salaries, wages and benefits	5,168,650	3,842,821	3,718,288
Materials, supplies and services	13,329,812	4,416,467	6,542,302
Depreciation	3,762,682	2,219,826	2,032,788
Other expenses	49,124	25,323	-
Total operating expenses	<u>22,310,268</u>	<u>10,504,437</u>	<u>12,293,378</u>
Operating income (loss)	<u>4,182,216</u>	<u>874,456</u>	<u>893,300</u>
<b>Non-operating Revenues (Expenses):</b>			
Taxes	-	-	-
Investment income	569,250	888,509	386,444
Interest expense	(1,779,691)	(816,189)	-
Grants and contributions	-	-	3,397,496
Other, net	13,190	(21,979)	-
Total non-operating revenues (expenses)	<u>(1,197,251)</u>	<u>50,341</u>	<u>3,783,940</u>
Income (loss) before transfers	2,984,965	924,797	4,677,240
Transfers in	-	7,770	-
Transfers out	<u>(27,196)</u>	<u>(5,473)</u>	<u>(30,823)</u>
Change in net assets	2,957,769	927,094	4,646,417
Net assets, beginning of year	<u>85,890,952</u>	<u>51,389,044</u>	<u>39,255,745</u>
Net assets, end of year	<u>\$ 88,848,721</u>	<u>\$ 52,316,138</u>	<u>\$ 43,902,162</u>

Adjustment to reflect the consolidation of internal service activities related to enterprise funds  
Change in net assets of business-type activities (page 31)

See accompanying notes to basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
\$ -	\$ -	\$ 35,404,944	\$ -
6,218,741	5,885,795	16,212,148	16,889,602
3,575,590	268,932	15,072,065	-
104,937	15,060	437,953	916,755
<u>9,899,268</u>	<u>6,169,787</u>	<u>67,127,110</u>	<u>17,806,357</u>
4,401,726	3,873,425	21,004,910	5,437,138
3,346,378	2,592,899	30,227,858	6,752,365
1,880,219	551,825	10,447,340	1,337,347
-	-	74,447	-
<u>9,628,323</u>	<u>7,018,149</u>	<u>61,754,555</u>	<u>13,526,850</u>
<u>270,945</u>	<u>(848,362)</u>	<u>5,372,555</u>	<u>4,279,507</u>
-	773,509	773,509	-
282,109	202,829	2,329,141	169,083
(877,445)	(73,918)	(3,547,243)	-
42,558	-	3,440,054	-
(56,229)	-	(65,018)	-
<u>(609,007)</u>	<u>902,420</u>	<u>2,930,443</u>	<u>169,083</u>
(338,062)	54,058	8,302,998	4,448,590
-	-	7,770	314,729
<u>(9,325)</u>	<u>(4,788)</u>	<u>(77,605)</u>	<u>(8,191)</u>
(347,387)	49,270	8,233,163	4,755,128
<u>10,113,231</u>	<u>17,393,504</u>		<u>6,102,040</u>
<u>\$ 9,765,844</u>	<u>\$ 17,442,774</u>		<u>\$ 10,857,168</u>
		<u>2,550,409</u>	
		<u>\$ 10,783,572</u>	

**CITY OF SANTA BARBARA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Water	Wastewater	Airport
<b>Cash flows from operating activities:</b>			
Cash received from services	\$ 26,328,015	\$ 11,278,575	\$ 1,737,835
Cash received from rents and leases	-	-	11,374,099
Cash payments for goods and services	(12,800,803)	(5,471,159)	(4,887,136)
Cash payments to employees for services	(5,362,703)	(3,866,358)	(3,816,543)
Cash received (returned) for deposits	995	-	18,278
Other operating receipts	83,422	5,322	229,212
Other operating disbursements	(49,124)	(25,323)	-
Net cash provided (used) by operating activities	<u>8,199,802</u>	<u>1,921,057</u>	<u>4,655,745</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers to other funds	(27,196)	(5,473)	(30,823)
Transfers from other funds	-	7,770	-
Cash received from taxes and assessments	-	-	-
Other non-operating disbursements	-	-	-
Net cash provided (used) by non-capital financing activities	<u>(27,196)</u>	<u>2,297</u>	<u>(30,823)</u>
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from capital debt	13,368,703	19,936,848	-
Proceeds from capital grants and contributions	-	-	3,120,006
Payments on long term debt	(1,220,022)	(675,000)	-
Acquisition of capital assets	(9,401,633)	(4,198,425)	(6,373,507)
Interest paid on debt	(1,796,879)	(680,189)	-
Net cash used for capital and related financing activities	<u>950,169</u>	<u>14,383,234</u>	<u>(3,253,501)</u>
<b>Cash flows from investing activities:</b>			
Cash received on investments	<u>569,250</u>	<u>888,509</u>	<u>386,444</u>
Net increase (decrease) in cash and cash equivalents	9,692,025	17,195,097	1,757,865
Cash and cash equivalents, beginning of fiscal year	<u>17,650,835</u>	<u>13,230,163</u>	<u>16,658,287</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 27,342,860</u></u>	<u><u>\$ 30,425,260</u></u>	<u><u>\$ 18,416,152</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 4,182,216	\$ 874,456	\$ 893,300
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	3,762,682	2,219,826	2,032,788

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
\$ -	\$ 1,701,435	\$ 41,045,860	\$ 16,861,149
9,925,818	4,456,272	25,756,189	-
(3,355,507)	(2,631,641)	(29,146,246)	(7,972,865)
(4,526,944)	(3,979,333)	(21,551,881)	(5,612,383)
(175,614)	301	(156,040)	-
104,937	15,060	437,953	916,755
-	-	(74,447)	-
<u>1,972,690</u>	<u>(437,906)</u>	<u>16,311,388</u>	<u>4,192,656</u>
(9,325)	(4,788)	(77,605)	(8,191)
-	-	7,770	314,729
-	773,509	773,509	-
(48,204)	-	(48,204)	-
<u>(57,529)</u>	<u>768,721</u>	<u>655,470</u>	<u>306,538</u>
-	-	33,305,551	-
42,558	-	3,162,564	-
(595,000)	(110,500)	(2,600,522)	-
(2,928,863)	(332,782)	(23,235,210)	(1,281,900)
(881,137)	(63,254)	(3,421,459)	-
<u>(4,362,442)</u>	<u>(506,536)</u>	<u>7,210,924</u>	<u>(1,281,900)</u>
<u>293,029</u>	<u>206,254</u>	<u>2,343,486</u>	<u>169,083</u>
(2,154,252)	30,533	26,521,268	3,386,377
<u>11,237,336</u>	<u>9,019,572</u>	<u>67,796,193</u>	<u>11,562,651</u>
<u>\$ 9,083,084</u>	<u>\$ 9,050,105</u>	<u>\$ 94,317,461</u>	<u>\$ 14,949,028</u>
\$ 270,945	\$ (848,362)	\$ 5,372,555	\$ 4,279,507
1,880,219	551,825	10,447,340	1,337,347



**CITY OF SANTA BARBARA  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2005**

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
<b><u>Assets</u></b>			
<b>Current assets:</b>			
Cash and investments	\$ 72,016	\$ 1,537,995	\$ 2,048,808
Accounts receivable, net	-	303	1,150,120
Loans receivable	-	-	2,254,421
Total current assets	<u>72,016</u>	<u>1,538,298</u>	<u>5,453,349</u>
<b>Capital assets:</b>			
Equipment	-	-	878,164
Less: accumulated depreciation	-	-	(812,164)
Capital assets, net	<u>-</u>	<u>-</u>	<u>66,000</u>
<b>Other assets:</b>			
Due from other agencies	5,526	-	-
Cash and investments with fiscal agents:			
Cash and cash equivalents	113,362	-	93,690
Other investments	655,919	-	-
Total other assets	<u>774,807</u>	<u>-</u>	<u>93,690</u>
<b>Total assets</b>	<u>846,823</u>	<u>1,538,298</u>	<u>5,613,039</u>
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Accounts payable	-	1,699	4,811
Accrued benefits payable	9,892	-	-
Due to General Fund	-	-	20,525
Total current liabilities	<u>9,892</u>	<u>1,699</u>	<u>25,336</u>
<b>Noncurrent liabilities:</b>			
Trust liabilities	-	-	2,509,403
Contributions	-	-	3,078,300
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>5,587,703</u>
<b>Total liabilities</b>	<u>9,892</u>	<u>1,699</u>	<u>5,613,039</u>
<b><u>Net Assets</u></b>			
Held in trust for pension benefits and other purposes:			
Employees' pension benefit	836,932	-	-
Police	-	49,946	-

**CITY OF SANTA BARBARA**  
**STATEMENT OF CHANGES IN FIDUCIARY NETS ASSETS**  
**FIDUCIARY FUNDS**  
**Fiscal Year Ended June 30, 2005**

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
<b>Additions</b>		
Contributions:		
Private donations	\$ -	\$ 937,572
Investment earnings:		
Interest	19,911	23,972
Dividends	16,189	-
Net change in fair value of investments	40,316	-
Other	2,868	-
Total investment earnings	79,284	23,972
Less investment expense	11,073	-
Net investment income	68,211	23,972
 Total additions	 68,211	 961,544
 <b>Deductions</b>		
Benefits	327,910	-
Community services	-	18,351
Transfers out	-	187,489
 Total deductions	 327,910	 205,840
 Net increase (decrease)	 (259,699)	 755,704
 Net assets, beginning of fiscal year	 1,096,631	 780,895
Net assets, end of fiscal year	<u>\$ 836,932</u>	<u>\$ 1,536,599</u>

See accompanying notes to basic financial statements

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Santa Barbara (City) conform to generally accepted accounting principles. The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

**A. Description of the Financial Reporting Entity**

The City's reporting entity includes the City (the primary government) and its component units. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," which the City adopted effective July 1, 1993. The basic, but not the only, criterion for including a potential component unit within the City's reporting entity is whether the City Council, as the City's governing body, has financial accountability for the potential component unit. The most significant manifestations of financial accountability include the ability of the Council to appoint a voting majority of the organization's governing body and the ability to impose its will on the organization; or that there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be deemed to be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. In addition to those organizations for which the City may be financially accountable, other organizations for which the City is not financially accountable, but for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, may also be component units. Component units are presented on a "blended" basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Based upon the application of these criteria, the following is a brief review of the City and each component unit within the City's reporting entity.

City of Santa Barbara

The City of Santa Barbara (the primary government) was incorporated on August 26, 1850. The City is a charter city under the laws of the State of California and operates under a Council-Administrator form of government. The Council consists of six council members and a mayor, all of whom are elected at-large. The current City Charter was adopted on May 2, 1967 and provides for the following services: public safety (police and fire), construction and maintenance of highways and streets, sanitation, culture and recreation, public improvements, planning, zoning and general administration. Enterprise and Fiduciary funds, operated in a manner similar to a private business, include water, wastewater, airport, parking, golf and waterfront.

Redevelopment Agency of the City of Santa Barbara

The Redevelopment Agency of the City of Santa Barbara (Agency), a blended component unit of the City, was established in 1968 and is a separate governmental entity as prescribed in the State of California's Community Redevelopment law as set forth in the State's Health and Safety Code.

The liabilities of the Agency are mutually exclusive from those of the City. The inclusion of the Agency's operations in the accompanying basic financial statements does not express or imply any assumption of liability by the City, either now or in the future. The City Council of the City of Santa Barbara and the Board of Directors of the Agency are legally separate boards; however, they share common membership. The Agency Board consists of members of the City Council. The City also provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement between the two entities. Accordingly, although it is legally separate from the City, the Agency is reported as if it were part of the City because its sole purpose is to provide for redevelopment activities within the City.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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and it has the same governing body. Separate component unit financial statements for the Agency may be obtained from the City's Finance Department at 735 Anacapa Street, Santa Barbara, CA 93102.

California Community Redevelopment law provides that, upon adoption of a redevelopment plan for a specific area, future incremental tax revenues attributable to increases in the tax base within the project area shall be paid to finance the project. Accordingly, for purposes of its comprehensive annual financial report, the City records the Agency's operating fund as a special revenue fund.

Santa Barbara Public Facilities Corporation

The Santa Barbara Public Facilities Corporation ("Corporation") was incorporated in 1986 and organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was created solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property for the use, benefit and enjoyment of the City. The activities of the Corporation are included within the Water Enterprise Fund of the City.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets (i.e., fund balances) as presented in these statements to the net assets presented in the Government-wide financial statements.

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, a portion of the internal service balances and activities have been combined with the governmental activities in the Government-wide financial statements.

The following are the major governmental funds of the City:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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- The *Redevelopment Agency Special Revenue Fund*, a blended component unit of the City, accounts for all financial activities of the Agency, except for those required for debt service and housing activity.
- The *Community Development Block Grant Special Revenue Fund* accounts for the financial resources provided by the federal government for housing and rental needs, housing rehabilitation loans and grants, as well as low and moderate income housing programs.
- The *Redevelopment Agency Capital Projects Fund* accounts for all capital projects, including some related debt, financed by the Agency.

The following are the major proprietary funds of the City:

- The *Water Fund* accounts for the provisions of water services to the residents of the City and some residents of the County.
- The *Wastewater Fund* accounts for the provision of sewer services to the residents of the City and some residents of the County.
- The *Airport Fund* accounts for the operation of the municipal airport and the administration of leases of airport property.
- The *Waterfront Fund* accounts for the operation of the City managed waterfront that includes a public wharf, a small craft harbor, and parking facilities.

Additionally, the City reports the following fund types:

- *Internal Service Funds* account for 1) a maintenance facility for fleet and motor pool equipment used by all City departments and City-wide building maintenance operations, 2) duplicating and printing services, and 3) self-insurance operations of workers' compensation, unemployment, liability and employee health insurance coverage.
- *Private Purpose Trust Funds* are used to account for resources legally held in trust for use by a not-for-profit organization devoted to library book replacement and promoting junior golf. All resources of the funds, including any earnings on invested resources, may be used to support the organization's activities. There is no requirement that any portion of these resources be preserved as capital.
- The *Pension Trust Fund* accounts for the activities of the Safety Retirement Fund and the Service Retirement Fund that accumulates resources for pension benefit payments to qualified safety employees.
- *Agency Funds* are used to report resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary funds' financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting agency have been met.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period.

Property and sales taxes, utility users taxes, transient occupancy taxes, franchise taxes, licenses and other charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as "other financing sources."

For its *business-type activities* and enterprise funds, the City has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

**D. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the Primary Government. Year-end encumbrances are re-appropriated in the following year and expended as the related liability is incurred. Outstanding encumbrances at year-end are recorded as reservations of fund balance.

**E. Capital Assets**

Capital assets which include land, buildings, improvements to buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide basic financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial individual cost of \$10,000 or more for equipment, \$25,000 or more for building improvements and other improvements, \$50,000 or more for buildings and \$100,000 or more for infrastructure. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in results of operations.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2005.

Capital assets (except land, works of art and construction in progress) of the primary government, as well as the component unit of the Redevelopment Agency, are depreciated using the straight-line method using the estimated useful lives listed below.

	<u>Years</u>
Buildings	40-50
Building Improvements	40-50
Improvements other than Buildings	25-50
Equipment	5-20
Infrastructure (except for the maintained pavement subsystem)	10-100

The City has networks of infrastructure assets such as roads, water and wastewater treatment plants, drainage systems and sidewalks. The streets pavement subsystem of the road network is reported using the modified approach. The City has established a pavement condition assessment process. Approximately one-third of the entire sub-system is assessed on a rotating basis each year. The City's streets pavement subsystem has been classified as roads with or without formal structural sections. Each road segment is rated and given a Pavement Condition Index (PCI) value from zero to one hundred (0-100), where PCI's of 40 or higher are assigned to be in "Fair" or better condition, and roads with PCI's of 55 or higher to be in "Good" or better condition. Accordingly, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized. There were no capitalizable additions to the streets pavement subsystem during fiscal year 2005.

The City was required to report all infrastructure asset additions effective July 1, 2001. Only the prospective provisions were implemented for infrastructure assets. The retroactive reporting is subject to an extended implementation period and final implementation is required by fiscal year ending June 30, 2006.

**F. Assets Available for Resale**

Assets available for resale within the City's Redevelopment Agency are recorded in the Agency's fund at the lower of cost or realizable value. Realizable value is determined by an agreed-upon sale price with a developer. Capitalized costs include all moneys expended in the redevelopment process that can be properly attributed to properties to be resold to developers.

**G. Description of Program Revenue**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes except special assessments, which are program revenues.

**H. Definition of Operating and Non-operating Revenues**

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The principal operating revenues of the water, wastewater, parking, golf, airport and waterfront enterprise funds and the City's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue service charges, leases and rents, and miscellaneous revenue. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses,

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**I. Cash and Cash Equivalents**

The cash flow statements require presentation of “cash and cash equivalents.” For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as “cash and cash equivalents,” as such funds are available to the various funds as needed. With respect to cash and investments with fiscal agents, the City considers all investments with an original maturity of less than three months to be cash equivalents.

**J. Restricted Assets**

The City has funds held by trustees or fiscal agents pledged to the payment or security of bonds and certificates of participation and are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agents may make.

**K. Flow Assumption for Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the City’s policy for all fund types to use restricted resources first, and then unrestricted resources as they are needed.

**L. Budgetary Principles**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Annual budgets are also adopted for the enterprise and internal service funds, although they are not legally required. Effective fiscal control for debt service is achieved through bond indenture provisions. While budgets are prepared for the City’s capital projects funds, capital projects generally span more than one year and are effectively controlled at the project level.

In early January of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In early April, the City Administrator presents a recommended budget to the City Council. From April through late June, public hearings are held and the recommended budget is reviewed in detail with the Council Finance Committee and City Council. The budget is adopted by June 30.

There were no violations of the budget in fiscal year 2005.

**M. Investment Policies**

Effective July 1, 1997, the City adopted the provisions of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investments Pools*, which requires that governmental entities, including governmental external investment pools, report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

The fair value of pooled investments is determined annually and is based on current market prices received from the City’s securities custodian. The Local Agency Investment Fund (LAIF) is required to invest in accordance with State statutes. At June 30, 2005, the fair value of the City’s position in LAIF is the same as the value of the pool shares. Investments held in the Pension Trust Funds are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

The City has developed a formal investment policy that is more restrictive than the State of California Government Code. The policy is adopted annually by the City Council. The City has adhered to established policies for all investment activities.

The notes to the financial statements are an integral part of this statement.



**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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All of the City's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the City's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits. The City may waive collateral requirements for deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

**N. Receivables and Payables (Inter-fund Transactions)**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not currently available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**O. Property Tax Calendar**

In 1978, a State constitutional amendment (Article XIII A) provided that the ad valorem real property tax rate be limited to 1% of market value and be levied only by the county and shared with all other jurisdictions. The County of Santa Barbara collects the property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdictions' assessed valuations, subject to adjustments for voter-approved debt. Property taxes are formally due on November 1 and February 1 and become delinquent as of December 10 and April 10 respectively. Taxes become a lien on the property effective March 1 of the preceding year.

**P. Inventories and Prepaid Assets**

Inventories are stated at cost (first-in, first-out basis) for governmental funds and lower of average cost or market for proprietary funds. Governmental fund inventories are recorded as expenses when consumed rather than when purchased. Proprietary fund inventories consist primarily of materials and supplies held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Q. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. For fire safety employees the value of the sick pay benefit is converted to additional years of service for purposes of calculating retirement benefits provided by the Public Employees Retirement System (PERS) and the employee is, therefore, compensated through an increased retirement benefit. All other employees upon retirement and with a minimum of 500 hours of accumulated sick pay benefits may elect to have an annuity or the cash value of an annuity for the value of those accumulated hours, calculated based on comparable actuarial assumptions used by PERS.

Governmental funds recognize the cost of vacation benefits when payments are made to employees. As shown below, all of the liability for compensated absences in both the governmental activities and the business-type activities at June 30, 2005, is current and expected to be paid with current financial resources. In prior years, compensated absences have been liquidated primarily by the General Fund and the proprietary funds. The total amount outstanding at June 30, 2005, was \$4,189,741 and \$1,077,358 for governmental and business-type activities, respectively.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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	Balance June 30, 2004	Incurred	Satisfied	Balance June 30, 2005	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 4,581,206	\$ 5,189,946	\$ 5,581,411	\$ 4,189,741	\$ 4,189,741
Business-Type Activities:					
Compensated Absences	\$ 988,848	\$ 1,293,251	\$ 1,204,741	\$ 1,077,358	\$ 1,077,358

**R. Long-term Obligations and Refunding of Debt**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs and gains and losses on defeasance, are deferred and amortized over the life of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and gains and losses on defeasance, during the current period. The proceeds of long-term debt issued are reported as "other financing sources," net of issuance costs. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Effective July 1, 1993, the City implemented GASB Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." Consequently, amounts which previously would have been reported as an accounting "loss on defeasance of debt" are now deferred and amortized as a component of interest expense over the remaining life of the new debt.

**S. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**T. Allocated Costs Policy**

Expenses reported for functional activities include allocated indirect expenses pursuant to a cost allocation plan prepared in accordance with OMB Circular A-87.

**U. Implementation of New Accounting Pronouncements**

During the fiscal year ended June 30, 2005, the City adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures, which amends existing accounting guidance under GASB No. 3, Deposits with Financial Institutions, Investments (including repurchase agreements), and reverse repurchase agreements. GASB Statement No. 40 enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB No. 3 and addressing other common risks, including concentrations of credit risk, interest rate risk, and foreign currency risk. Note 2 shows the disclosures as required by GASB Statement No. 40.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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**NOTE 2. DEPOSITS AND INVESTMENTS**

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$153,600,542
Cash and investments with fiscal agents	80,030,056
Fiduciary funds:	
Cash and investments	3,658,819
Cash and investments with fiscal agents	<u>862,971</u>
Total cash and investments	<u>\$238,152,388</u>

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 46,465
Deposits with financial institutions	9,329,514
Investments	<u>228,776,409</u>
Total cash and investments	<u>\$238,152,388</u>

**Investments Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the **investment types** that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address **interest rate risk**, **credit risk**, and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	15%	3%
Repurchase Agreements	1 year	20%	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	3%
U.S. Government Money Market Funds	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	\$40 million**	N/A

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

\*\* Per each account for the City and the City's Redevelopment Agency.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the **investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity to 2 ½ years. In addition, the City employs a "buy and hold" investment strategy whereby investments are held to maturity at which time the investment is redeemed at par. This strategy limits the City's exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

Portfolio diversification is also employed as a way to control risk, including those associated with market changes or issuer default. To control market price risks, volatile investments are avoided, and to control risks of illiquidity, a minimum of 10% of the total portfolio is held in highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund (LAIF) and/or Money Market Funds and/or securities maturing within 90 days. Non-marketable instruments with maturities beyond one year and a liquidity factor of greater than 5 (out of 8) shall not exceed 30% of the portfolio.

<u>Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
U.S. Treasury notes	\$ 1,981,250	1.9
Federal agency securities	113,571,414	1.4
Certificates of Deposit	1,600,000	1.4
Local Agency Investment Fund (LAIF)	31,500,000	N/A
Held by bond trustee:		
Money market funds	1,535,415	.2
Investment contracts	<u>78,588,330</u>	1.5
Total	<u>\$228,776,409</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
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**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

None of the City's investments (including investments held by bond trustees) are highly sensitive to interest rate fluctuations.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Not Required To Be Rated</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
U.S. Treasury notes	\$ 1,981,250	N/A	1,981,250	-	-	-
Federal agency securities	113,571,414	N/A	-	110,013,509	-	3,557,905
Certificates of Deposit	1,600,000	Collateralized				1,600,000
State investment pool (LAIF)	31,500,000	N/A	-	-	-	31,500,000
Held by bond trustee:						
Money market funds	1,535,415	A	-	1,535,415	-	-
Investment contracts	<u>78,588,330</u>	N/A	<u>78,588,330</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$228,776,409</u>		<u>80,569,580</u>	<u>111,548,924</u>	<u>-</u>	<u>36,657,905</u>

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>%</u>
FNMA	Federal agency securities	\$12,878,488	5.6
Federal Home Loan MTG Corp	Federal agency securities	13,892,653	6.1
Federal Home Loan	Federal agency securities	75,838,785	33.1

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2005, \$9,228,087 was collateralized in accordance with Section 53652 of the California Government Code by the pledging financial institution in the City's name.

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**NOTE 3. SPECIAL ASSESSMENTS**

On August 1, 1992, the City issued \$10,794,799 of seismic improvement special assessment bonds. The proceeds of the bonds were used to finance the construction and installation of seismic resistance improvements to certain commercial properties within the boundaries of the City of Santa Barbara Seismic Safety Assessment District No. 1. The bonds are limited obligations payable solely from annual assessments to be levied and collected in semi-annual installments on properties within the Assessment District. The City is not obligated to advance funds, other than the bond proceeds placed in a Reserve Fund, in the event of delinquencies in the payment of assessment installments.

Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds or the interest thereon, and no owner of the bonds may compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of, and any interest on, the bonds are not a legal debt of the City. The City is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the fiscal agent for payment to bondholders and initiating foreclosure proceedings, if appropriate. At June 30, 2005, the amount of bonds outstanding was \$280,000.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance July 1, 2004	Increases	Decreases	Ending Balance June 30, 2005	Internal Service Fund Activity	Total Governmental Capital Assets
<b>Governmental Activities:</b>						
Non-Depreciating Capital Assets:						
Land	\$ 47,795,017	\$ -	\$ -	\$ 47,795,017	\$ -	\$ 47,795,017
Construction in progress	7,200,239	13,908,974	(2,444,671)	18,664,542	495,899	19,160,441
Total Non-Depreciating Capital Assets	<u>54,995,256</u>	<u>13,908,974</u>	<u>(2,444,671)</u>	<u>66,459,559</u>	<u>495,899</u>	<u>66,955,458</u>
Depreciating Capital Assets:						
Buildings	18,150,843	-	-	18,150,843	105,889	18,256,732
Building improvements	3,084,317	-	-	3,084,317	52,820	3,137,137
Improvements other than buildings	32,624,866	723,958	-	33,348,824	15,854	33,364,678
Drainage	126,452	280,626	-	407,078	-	407,078
Equipment	7,558,742	235,892	-	7,794,634	16,411,669	24,206,303
Infrastructure	2,255,080	1,748,162	-	4,003,242	-	4,003,242
Total depreciating capital assets	<u>63,800,300</u>	<u>2,988,638</u>	<u>-</u>	<u>66,788,938</u>	<u>16,586,232</u>	<u>83,375,170</u>
Less Accumulated Depreciation:						
Buildings	8,732,707	325,426	-	9,058,133	88,682	9,146,815
Building improvements	2,054,841	100,536	-	2,155,377	660	2,156,037
Improvements other than buildings	15,614,553	1,506,584	-	17,121,137	317	17,121,454
Drainage systems	8,430	9,828	-	18,258	-	18,258
Equipment	5,014,532	357,816	-	5,372,348	12,012,618	17,384,966
Infrastructure	205,691	141,050	-	346,741	-	346,741
Total accumulated depreciation	<u>31,630,754</u>	<u>2,441,240</u>	<u>-</u>	<u>34,071,994</u>	<u>12,102,277</u>	<u>46,174,271</u>
Total capital assets, being depreciated, net	<u>32,169,546</u>	<u>547,398</u>	<u>-</u>	<u>32,716,944</u>	<u>4,483,955</u>	<u>37,200,899</u>
Total governmental capital assets, net	<u>\$ 87,164,802</u>	<u>\$ 14,456,372</u>	<u>\$ (2,444,671)</u>	<u>\$ 99,176,503</u>	<u>\$ 4,979,854</u>	<u>\$ 104,156,357</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$ 57,442
Administrative Services	26,680
Finance	6,957
Public Safety	103,069
Public Works	443,398
Community Services	427,928
Community Development	1,375,766
General Governmental Depreciation	<u>2,441,240</u>

Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets

	<u>1,337,347</u>
Total depreciation expense - governmental activities	<u>\$ 3,778,587</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

	Beginning Balance July 1, 2004	Increases	Decreases	Ending Balance June 30, 2005
<b>Business Type Activities:</b>				
Non-depreciating capital assets:				
Land	\$ 19,201,133	\$ -	\$ -	\$ 19,201,133
Construction in progress	40,246,155	20,188,579	(22,260,798)	38,173,936
Total non-depreciating capital assets	<u>59,447,288</u>	<u>20,188,579</u>	<u>(22,260,798)</u>	<u>57,375,069</u>
Depreciating capital assets:				
Buildings	32,689,878	48,075	-	32,737,953
Building improvements	3,582,789	301,058	-	3,883,847
Other Improvements and Drainage	189,383,756	20,858,582	-	210,242,338
Equipment	19,367,421	2,569,822	(152,565)	21,784,678
Underground piping	70,720,408	1,792,293	(183,714)	72,328,987
Total depreciating capital assets	<u>315,744,252</u>	<u>25,569,830</u>	<u>(336,279)</u>	<u>340,977,803</u>
Less accumulated depreciation:				
Buildings	20,291,416	773,652	-	21,065,068
Building improvements	1,668,434	103,644	-	1,772,078
Other Improvements and Drainage	109,048,795	7,251,412	-	116,300,207
Equipment	12,147,305	863,898	(132,892)	12,878,311
Underground piping	35,099,407	1,454,733	-	36,554,140
Total accumulated depreciation	<u>178,255,357</u>	<u>10,447,339</u>	<u>(132,892)</u>	<u>188,569,804</u>
Net depreciating capital assets	<u>137,488,895</u>	<u>15,122,491</u>	<u>(203,387)</u>	<u>152,407,999</u>
Total business-type activities				
Capital assets, net	<u>\$ 196,936,183</u>	<u>\$ 35,311,070</u>	<u>\$ (22,464,185)</u>	<u>\$ 209,783,068</u>
Depreciation expense was charged to functions/programs of the business-type activities as follows:				
Business-type activities:				
Water		\$ 3,762,682		
Wastewater		2,219,826		
Airport		2,032,788		
Waterfront		1,880,219		
Downtown parking		378,107		
Golf		<u>173,717</u>		
Total depreciation expense - business-type activities		<u>\$ 10,447,339</u>		

The notes to the financial statements are an integral part of this statement.



**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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**NOTE 5. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of inter-fund balances as of June 30, 2005, is as follows:

<u>Due to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Activities</b>		
General Fund	Other Governmental Funds	\$ 1,591,641
General Fund	Community Development Block Grant Fund	18,550
Street Capital Improvements	Other Governmental Funds	151,176
Redevelopment Agency	General Fund	192,909
	Total Governmental Activities	<u>\$ 1,954,276</u>
<b>Fiduciary Funds</b>		
General Fund	California Law Enforcement	
	Telecommunications System Agency Fund	<u>\$ 20,525</u>
<u>Advances to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Activity:</b>	<b>Business Type Activity:</b>	
General Fund	Waterfront	<u>\$ 1,635,517</u>

The interfund balances at June 30, 2005, are generally short-term loans to cover temporary cash deficits in various funds, with the exception of the interfund balance between the General Fund and the Redevelopment Agency. The interfund receivable of \$192,909 in the Redevelopment Agency represents the Agency's receivable for special assessment taxes collected by the General Fund.

In addition, the City's General Fund has periodically advanced money to the Waterfront Enterprise Fund. These advances, totaling \$1,635,517 at June 30, 2005, were for the purposes of rehabilitation of the Stearns Wharf and development of a waterfront-parking program. Such advances bear no interest and are repayable as the Waterfront Fund's results of operations permit.

The net transfers of \$187,489 from the Fiduciary Funds to the governmental activities represent transfers from the Library Trust Fund to the General Fund and County Library Special Revenue Fund primarily to purchase library books.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

A summary of interfund transfers during the year follows:

Fund Transferred From	Fund Transferred To					
	Governmental Activities			Internal Service Funds	Water Enterprise Funds	Total
	General Fund	Redevelopment Agency Capital Projects	Other Governmental Funds			
Governmental Funds						
General Fund	\$ -	\$ -	\$ 1,671,152	\$ 232,457	\$ -	\$ 1,903,609
Redevelopment Agency						
Special Revenue	-	5,910,469	3,103,558	2,952	-	9,016,979
Community Development						
Block Grant	-	-	-	1,818	-	1,818
Other Governmental Funds	510,465	-	2,723,652	7,975	-	3,242,092
Total Governmental Funds	510,465	5,910,469	7,498,362	245,202	-	14,164,498
Internal Service Funds	-	-	-	8,191	-	8,191
Total Governmental Activities	510,465	5,910,469	7,498,362	253,393	-	14,172,689
Business-Type Activities						
Water	-	-	8,499	10,927	7,770	27,196
Wastewater	-	-	-	5,473	-	5,473
Airport	-	-	-	30,823	-	30,823
Waterfront	-	-	-	9,325	-	9,325
Other Enterprise Funds	-	-	-	4,788	-	4,788
Total Business - Type Activities	-	-	8,499	61,336	7,770	77,605
Fiduciary Funds	187,489	-	-	-	-	187,489
Net Transfers	\$ 697,954	\$ 5,910,469	\$ 7,506,862	\$ 314,729	\$ 7,770	\$ 14,437,783

The interfund transfers are generally made for the purpose of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers, and for capital projects expenditures funded by the City's General Fund. There were no significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

**NOTE 6. LONG-TERM DEBT**

The City has issued debt in both the governmental and business-type activities to provide funds for the acquisition and construction of major capital facilities. The types of debt include (1) Revenue Bonds where the City pledges income derived from a business-type activity to pay debt service, (2) tax allocation bonds where property tax allocations of the Redevelopment Agency are pledged to pay debt service, (3) certificates of participation that pledge general government revenue to pay base rent payments to the Santa Barbara Public Financing Corporation for real property and improvements owned by the City, and (4) loans from other governmental agencies.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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A description of long-term obligations outstanding at June 30, 2005, by category follows:

	Amount Outstanding <u>June 30, 2005</u>
<b>Revenue Bonds</b>	
<i>Water Fund:</i>	
\$9,780,000 – 1994A water revenue refunding serial bonds, remaining annual installments range from \$435,000 to \$535,000 through September 1, 2009, term bonds of \$3,835,000 due on September 1, 2014, interest at 4.4% to 5.1% due semi-annually. Bonds maturing on or after September 1, 2005, shall be subject to redemption, at the option of the City, upon at least 45 days prior written notice to the Trustee specifying the date and amount of such redemption, on or after September 1, 2003 in whole or part on any date (by lot within any maturity and among maturities as specified by the City). Bonds maturing on September 1, 2014 shall be subject to mandatory redemption, on each date which a sinking installment payment for such Term Bonds is payable from sinking installment, by lot, in an amount equal to such sinking installment payments, plus accrued interest to the redemption date and without premium.	\$ 5,820,000
<i>Wastewater Fund:</i>	
\$20,410,000 – 2004A sewer revenue serial bonds, remaining annual installments range from \$525,000 to \$1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually.	19,735,000
Total revenue bonds	<u>\$ 25,555,000</u>
<b>Tax Allocation Bonds</b>	
<i>Redevelopment Agency:</i>	
\$7,150,000 - 2004 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from \$430,000 to \$620,000 beginning July 1, 2005 through July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.	\$ 7,150,000
\$34,810,000 - 2003 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from \$1,140,000 to \$2,835,000 beginning March 1, 2006 through March 1, 2019. Interest rates range from 2.00% to 5.00% payable semi-annually on September and March 1st.	30,640,000
\$38,855,000 - 2001 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from \$2,785,000 to \$4,340,000 beginning March 1, 2009 through March 1, 2019. Interest rates range from 4.00% to 5.00% payable semi-annually on September and March 1st.	38,305,000
\$28,170,000 - 1995 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from \$1,935,000 to \$3,265,000 beginning March 1, 2006 through March 1, 2008. Interest rate is 6.00% payable semi-annually.	7,235,000
\$6,845,000 - 1995 Redevelopment Agency Tax Allocation Refunding Bonds, Series B. Remaining annual principal installments on serial bonds are \$640,000 and \$680,000 for March 1, 2006 and March 1, 2007 respectively. Interest rate is 6.00% payable semi-annually.	1,320,000
Total tax allocation bonds	<u>\$ 84,650,000</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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**Certificates of Participation**

General Fund:

\$4,184,400 - 2002 Refunding Municipal Certificates of Participation, remaining annual installments range from \$221,100 to \$339,900 beginning August 1, 2005 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

\$ 3,511,200

Waterfront Fund:

19,405,000 - 2002 Waterfront Refunding Certificates of Participation, remaining annual installments range from \$510,000 to \$1,230,000 beginning October 1, 2005 through 2027. Term certificates of \$16,090,000 are due on October 2027. Interest rates range from 3.00% to 5.00% payable semi-annually. Certificates maturing on or after October 1, 2013, are subject to optional prepayment prior to maturity on or after October 1, 2012. The Certificates are subject to mandatory prepayment prior to maturity on any date, in inverse order of maturity and by lot within a maturity, from the net proceeds of insurance or condemnation awards.

17,700,000

Golf Fund:

\$2,155,600 - 2002 Refunding Municipal Certificates of Participation, remaining annual installments range from \$113,900 to \$175,100 beginning August 1, 2005 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

1,808,800

Water Fund:

\$15,535,000 - 2002 Refunding Water Certificates of Participation, remaining annual installments range from \$405,000 to \$1,030,000 beginning September 1, 2005 through September 1, 2026. Interest rates range from 3.0% through 5.50% payable semi-annually.

14,230,000

Total certificates of participation

\$ 37,250,000

**Loans Payable**

Water Fund:

\$2,000,000 - State Department of Water Resources Loan. Due in 20 annual payments of \$150,894 each on April 30. Interest is 4.0128% per annum. The final payment is due April 30, 2009.

\$ 560,812

\$5,000,000 - State Department of Water Resources Loan. Due in 20 annual payments of \$342,477 on April 30. Interest is 3.1% per annum. The final payment is due November 30, 2011.

2,015,411

\$17,770,367 - State Department of Water Resources Loan. Due in semiannual payments commencing January 1, 2006. Interest is 2.5132% per annum. The final payment is due July 1, 2025.

17,770,367

\$14,429,039 - State Department of Water Resources Loan. Due in semiannual payments commencing January 1, 2007. Interest is 2.7934% per annum. The final payment is due July 1, 2026.

14,429,039

Redevelopment Agency:

\$750,000 - California Housing Finance Agency Loan issued November 15, 1999. Due in 10 years with payment deferred until then. Interest rate 3% simple per annum.

750,000

Total loans

\$ 35,525,629

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

Long-term liability activity for the year ended June 30, 2005, is as follows:

	Beginning Balance July 1, 2004	Additions	Deductions	Ending Balance June 30, 2005	Due Within One Year	Due in More Than One Year
<b><u>Governmental Activities</u></b>						
Certificates of participation	\$ 3,725,700	\$ -	\$ 214,500	\$ 3,511,200	\$ 221,100	\$ 3,290,100
Tax allocation bonds	82,035,000	7,150,000	4,535,000	84,650,000	5,190,000	79,460,000
Claims liability	6,704,460	5,603,732	3,333,584	8,974,608	3,304,589	5,670,019
Loans	750,000	-	-	750,000	-	750,000
Governmental activity Long-term liabilities	93,215,160	12,753,732	8,083,084	97,885,808	8,715,689	89,170,119
<b><u>Business-Type Activities</u></b>						
Revenue Bonds	6,255,000	20,410,000	1,110,000	25,555,000	985,000	24,570,000
Certificates of participation	34,734,300	-	995,500	33,738,800	1,028,900	32,709,900
Loans	21,898,823	13,271,823	395,017	34,775,629	408,389	34,367,240
Business-type activity Long-term liabilities	62,888,123	33,681,823	2,500,517	94,069,429	2,422,289	91,647,140
<b>Total debt activity</b>	<b>\$ 156,103,283</b>	<b>\$ 46,435,555</b>	<b>\$ 10,583,601</b>	<b>\$ 191,955,237</b>	<b>\$ 11,137,978</b>	<b>\$ 180,817,259</b>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. The claims liability item is generally liquidated by the general fund.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

The annual requirements to amortize all long-term debt outstanding, as of June 30, 2005, are as follows:

Fiscal Year Ending	Governmental Activities			Business-type Activities			Total
	Principal Payments						
	Tax Allocation Bonds	Certificates of Participation	Other Loans	Revenue Bonds	Certificates of Participation	Other Loans	
2006	\$ 5,190,000	\$ 221,100	\$ -	\$ 985,000	\$ 1,028,900	\$ 1,031,579	\$ 8,456,579
2007	5,350,000	221,100	-	1,025,000	1,053,900	1,437,837	9,087,837
2008	4,845,000	231,000	-	1,075,000	1,099,000	1,860,819	9,110,819
2009	5,100,000	240,900	-	1,115,000	1,134,100	1,929,331	9,519,331
2010	5,285,000	247,500	750,000	1,155,000	1,182,500	1,818,094	10,438,094
2011 - 2015	29,780,000	1,379,400	-	6,545,000	6,210,600	8,660,939	52,575,939
2016 - 2020	29,100,000	970,200	-	3,955,000	7,469,800	9,286,842	50,781,842
2021 - 2025	-	-	-	4,890,000	9,035,000	7,748,558	21,673,558
2026 - 2029	-	-	-	4,810,000	5,525,000	1,001,630	11,336,630
Total Principal	84,650,000	3,511,200	750,000	25,555,000	33,738,800	34,775,629	182,980,629
Fiscal Year Ending	Interest Payments						Total
2006	3,914,559	136,953	-	1,089,432	1,387,003	482,341	7,010,288
2007	3,712,959	130,320	-	1,053,943	1,363,186	732,089	6,992,497
2008	3,502,359	123,192	-	1,011,108	1,335,494	965,106	6,937,259
2009	3,281,709	115,044	-	972,468	1,480,193	912,156	6,761,570
2010	3,034,159	106,068	220,370	930,527	1,435,017	856,939	6,583,080
2011 - 2015	10,916,444	372,177	-	3,903,333	6,430,501	3,547,666	25,170,121
2016 - 2020	3,437,750	68,520	-	2,817,467	4,777,020	2,375,933	13,476,690
2021 - 2025	-	-	-	1,882,630	2,618,822	1,060,574	5,562,026
2026 - 2029	-	-	-	612,140	373,422	55,721	1,041,283
Total Interest	31,799,939	1,052,274	220,370	14,273,048	21,200,658	10,988,525	79,534,814
Total Debt Service Obligation	\$ 116,449,939	\$ 4,563,474	\$ 970,370	\$ 39,828,048	\$ 54,939,458	\$ 45,764,154	\$ 262,515,443

**Prior Year's Defeasance of Debt**

In prior years, the City defeased certain debt issues by placing the proceeds of new debt in irrevocable trusts to provide for all future debt service payments on the defeased debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements.

The City has complied with all revenue bond covenants.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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**NOTE 7. CONTINGENCIES**

**Litigation and Claims**

The City is presently involved in matters of litigation and claims that have arisen in the normal course of conducting City business. City management believes that, based upon consultation with the City Attorney, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City.

**Grants**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

**NOTE 8. SEGMENT INFORMATION**

Summary financial information, as of and for the fiscal year ended June 30, 2005 for the City's enterprise funds is presented below:

*Condensed Statement of Net Assets:*

	<u>Golf Course</u>
Assets:	
Current assets	\$ 1,220,750
Capital assets, net of accumulated depreciation	2,741,027
Other non-current assets	138,630
Total assets	<u>4,100,407</u>
Liabilities:	
Current liabilities	192,345
Non-current liabilities	1,694,900
Total liabilities	<u>1,887,245</u>
Net assets:	
Invested in capital assets, net of related debt	932,227
Unrestricted	1,280,935
Total net assets	<u><u>\$ 2,213,162</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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*Condensed Statement of Revenues, Expenses, and Changes in Net Assets:*

	Golf Course
Charges for services pledged	
-against bonds	\$ 1,974,869
-not pledged against bonds	-
Depreciation expense	(173,717)
Other operating expenses	(1,706,722)
Operating income (loss)	94,430
Non-operating revenues (expenses):	
Investment earnings	26,368
Interest expense	(73,918)
Transfers	(684)
Change in net assets	46,196
Beginning net assets	2,166,966
Ending net assets	<u><u>\$ 2,213,162</u></u>

*Condensed Statement of Cash Flows:*

	Golf Course
Net cash provided (used) by:	
Operating activities	\$ 237,190
Noncapital financing activities	(684)
Capital and related financing activities	(256,330)
Investing activities	27,284
Net increase (decrease)	7,460
Beginning cash and equivalents	1,211,456
Ending cash and equivalents	<u><u>\$ 1,218,916</u></u>

**NOTE 9. RETIREMENT COMMITMENTS**

**Employee Retirement Systems and Pension Plans**

*Plan Description*

The City of Santa Barbara contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial reports may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

The notes to the financial statements are an integral part of this statement.



**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

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Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces a level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and 10% of the net unamortized gain or loss will be amortized each year. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

Funding Policy

PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Under GASB 27, the City reports its annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the actual plan contributions for the year. The cumulative difference is the net pension obligation (NPO). The ARC for the period July 1, 2004 to June 30, 2005 has been determined by an actuarial valuation of the plan as of June 30, 2002. Employer rates for each of the City's three (3) retirement plans is as follows: the miscellaneous, non-safety, members' rate is 9.237%, the safety police plan rate is 30.128%, and the safety fire plan rate is 33.593% of payroll. Miscellaneous, non-safety, members contribute 7% and safety members contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The contribution requirements of the City and plan members are established and may be amended by PERS.

A CalPERS member, safety and non-safety, becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Annual Pension Cost

For fiscal year ended June 30, 2005, the City's annual pension costs, for all of the retirement plans, in the amount of \$15,763,303 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year 2005 was determined as part of the June 30, 2002, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include:

(a) valuation date	June 30, 2002
(b) amortization method	level percent of payroll
(c) average remaining period	22 years as of the valuation date
(d) asset valuation method	3 years smoothed market

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
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(e) actuarial assumptions:

-investment rate of return	8.25% (net of administrative expenses)
-projected salary increases	4.27%% to 11.59% depending on age, service and type of employment – safety
	3.75% to 14.20% depending on age, service, and type of employment – non-safety
-inflation	3.50%
-payroll growth	3.75%
-individual salary growth	a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Three-year trend information for the City's Annual Pension Cost for all plans follows:

Three-year Trend Information (all Plans):

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/03	\$7,805,022	100%	\$0
06/30/04	10,872,028	100%	\$0
06/30/05	15,763,303	100%	\$0

Funded Status of the Plans

The tables below display a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability (or Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UUAL) as a percentage of that covered payroll. This data is based upon the most recent actuarial valuation dated June 30, 2003 as provided by CalPERS.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
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Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
<u>Miscellaneous Plan:</u>							
2003	06/30/00	\$ 140,199,867	\$ 175,207,919	\$ (35,008,052)	125.0%	\$ 35,864,313	-97.6%
2004	06/30/01	155,405,646	180,581,042	(25,175,396)	116.2%	38,839,327	-64.8%
2005	06/30/02	172,996,353	169,784,872	3,211,481	98.1%	43,147,673	7.4%
2006	06/30/03	200,205,019	172,606,727	27,598,292	86.2%	44,387,254	62.2%
<u>Safety Fire Plan:</u>							
2003	06/30/00	71,328,030	75,062,672	(3,734,642)	105.2%	6,666,421	-56.0%
2004	06/30/01	79,281,892	76,974,607	2,307,285	97.1%	7,655,484	30.1%
2005	06/30/02	85,100,613	71,982,755	13,117,858	84.6%	7,387,092	177.6%
2006	06/30/03	89,536,901	72,602,869	16,934,032	81.1%	7,531,518	224.8%
<u>Safety Police Plan:</u>							
2003	06/30/00	88,811,850	90,054,739	(1,242,889)	101.4%	10,767,724	-11.5%
2004	06/30/01	97,930,578	92,469,858	5,460,720	94.4%	11,194,160	48.8%
2005	06/30/02	104,007,310	86,387,932	17,619,378	83.1%	11,193,527	157.4%
2006	06/30/03	109,523,544	88,493,786	21,029,758	80.8%	11,815,759	178.0%

**City Fire and Police Pension Plans**

Plan Description

In addition to the California PERS, the City provides two additional single-employer, defined benefit pension plans. One, the Safety Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965. The second plan, the Service Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965, and who were disabled due to job related injuries. A total of twenty-one (21) former public safety (police and fire) employees receive a monthly pension retirement benefit in the form of a cash stipend directly from the City. Both plans have been closed to all other employees as of May 1965 and contributions from the employer and employees also ceased on that date. The City administers the plans in compliance with and under the authority of Article XVA of the City Charter. The costs of administering the plans are financed with investment earnings. As of June 30, 2005, twelve (12) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and nine (9) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund.

Funding Policy

All of the pensioners are retirees. Accordingly, the City has had no annual pension cost, as no annual required contributions (ARC) have been required for more than three years. In addition, the City has had no net pension obligation (NPO) in any of the three years ended June 30, 2005.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
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Information regarding these plans is as follows:

	Safety Retirement Plan	Service Retirement Plan
Authority	Charter	Charter
Date of valuation	June 30, 2003	June 30, 2003
Asset valuation	Fair value as measured by the market price of investments.	Fair value as measured by the market price of investments.
	This plan has an equity share in the City's investment pool	This plan has an equity share in the City's investment pool
Actuarial cost method*	Aggregate	Aggregate
Number of participants	12	9
Actuarial assumptions:		
Discount Rate	7%	7%
Cost of Living Adjustment	4%	4%
Mortality	1983 Group Annuity Mortality Table	

\*The aggregate actuarial cost method does not identify or separately amortize un-funded actuarial liabilities.

A separate stand-alone financial report is not issued for the Pension Trust Fund. All members of the plan are retired. The plans were closed as of 1965.

#### **Deferred Compensation Plan**

The City offers two deferred compensation plans for regular employees and one for temporary employees created in accordance with Internal Revenue Code Section 457. Under the terms of these plans, employees may defer amounts of income up to a maximum of \$14,000 per year or one-hundred percent (100%) of includable compensation, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

#### **NOTE 10. CLASSIFICATION OF NET ASSETS**

In the Government-wide financial statements, net assets are classified as the following:

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- *Restricted Net Assets* – this category presents all external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
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provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs as established by the City Council.

- *Unrestricted Net Assets* – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the Fund financial statements, reserves and designations segregate portions of the fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The components of the City's fund balances at June 30, 2005, consist of the following:

		Special Revenue Funds		Capital Projects Fund		
	General Fund	Redevelopment Agency	Community Development Block Grant	Redevelopment Agency	Other Governmental Funds	Total
Reserved:						
Encumbrances	\$ 818,596	\$ 631,541	\$ -	\$ 13,154,575	\$ 6,809,111	\$ 21,413,823
Non-current receivables	2,678,295	30,080,708	2,347	-	-	32,761,350
Due from other agencies	-	-	-	100,639	508,012	608,651
Assets available for resale	-	433,952	-	-	-	433,952
Redevelopment projects	-	2,120,802	-	54,210,904	-	56,331,706
Low and moderate income housing	-	8,172,454	-	-	-	8,172,454
Debt service	-	-	-	-	1,251,461	1,251,461
Library	-	-	-	-	966,548	966,548
Public safety	-	-	-	-	551,630	551,630
Community development	-	-	-	-	4,162,702	4,162,702
Future projects	-	-	-	-	2,145,922	2,145,922
Street improvements	898,082	-	-	-	5,013,740	5,911,822
Total reserved	4,394,973	41,439,457	2,347	67,466,118	21,409,126	134,712,021
Designated:						
Capital	1,000,000	-	-	-	-	1,000,000
Continuing appropriations	333,232	-	-	-	-	333,232
Contingencies	23,640,807	-	-	-	-	23,640,807
Total designated	24,974,039	-	-	-	-	24,974,039
Unreserved - undesignated	454,340	-	-	-	(851,573)	(397,233)
Total fund balances	\$ 29,823,352	\$ 41,439,457	\$ 2,347	\$ 67,466,118	\$ 20,557,553	\$ 159,288,827

**NOTE 11. SELF-INSURANCE FUND**

The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. The City has been partially self-insured for workers' compensation since 1974, and partially self-insured for general and automobile liability since 1978. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in any of the past fiscal years.

The City's self-insured retention for workers' compensation is \$750,000. An indemnity policy provides limits of \$45 million in excess of the City's self-insured retention and a \$5 million pooled layer. Employers' Liability is also included with the limits of \$5 million.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
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The City's self-insured retention for general and automobile liability is \$1,000,000. Excess liability coverage is purchased from the commercial market. Coverage provides limits of \$20 million in excess of the City's self-insured retention and a \$2 million pooled layer.

Insurable property is covered for all risks by policies with a pooled aggregate limit of \$750,000,000. Earthquake and flood coverage have designated limits of \$50 million per peril. Unique risks such as airport liability, marine hull protection and indemnity, and boiler and machinery are fully insured. The City also maintains a faithful performance bond. There were no claims made against any of these policies during the past fiscal year.

The City joined the Authority of California Cities Excess Liability (ACCEL) in May 1986. ACCEL is a public entity risk pool created for the purpose of pooling various public sector risks. ACCEL began its eighteenth program year July 2005 with membership totaling twelve (12) cities. ACCEL was formed under the Joint Powers Agreement (JPA) provisions of State Law (Government Code Sections 990, 990.4, 990.8 and 6500-6515). In addition to the joint powers agreement, ACCEL is governed by bylaws and an investment policy adopted by the ACCEL members.

ACCEL settlements have not exceeded coverage in any of the past fiscal years. ACCEL now transfers most of its risk sharing exposures through the purchase of a commercial policy with American Insurance Group (AIG). ACCEL members have a \$1 million self-insured retention. The ACCEL pools the next \$2 million. AIG provide \$20 million above.

A Memorandum of Coverage acts as the instrument by which member cities are protected against covered losses above their self-insured retention (SIR). Coverage includes comprehensive general and automobile liability protecting against bodily injury, property damage, public officials errors and omissions, personal injury, employment practices, as well as damages arising from owned, non-owned, and hired automobiles.

A Board of Directors consisting of one representative from each member city governs ACCEL. This Board controls all aspects of ACCEL policy including budgeting and finance. ACCEL conducts annual financial, claims, and payroll audits, with an actuarial review performed every two years. A retrospective rating is performed each year on the program year ended five years earlier. The retrospective rating determines each member's share of losses and deposit return.

ACCEL members share pool losses above their self-insured retention. Losses are paid from a pool of funds comprised of member deposits. Deposits are actuarially determined to insure that funds are available to pay pool losses. ACCEL collects a deposit from each member for each program year in which the member participates. Separate deposit accounts are set for each member for each year of participation. Deposits are invested into pre-approved vehicles and each member account is credited monthly with investment income at the rate earned by the investment vehicle. ACCEL adopted its investment policy in accordance with existing government code criteria.

The City's self-insurance fund is financed through contributions made by the City's General and Enterprise Funds. A cost allocation plan is used to apportion self-insurance fund costs. An actuarial study is performed every two-years. Actuarially determined liabilities in the fund include provisions for "incurred but not reported" claims. As of June 30, 2005, the estimated outstanding liabilities are \$7,316,073 for workers' compensation and \$1,658,535 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2004. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2005, the liability for unemployment claims was \$39,073.

The City also maintains a self-insured plan for vision coverage offered to employees. The rates for the dental and vision coverage are set in accordance with the results of an actuarial study performed for the City. Rates are established at a level sufficient to fund current claims as well as maintain reserves for claims incurred but not reported.

The notes to the financial statements are an integral part of this statement.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
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A summary of changes in claims liabilities is shown below:

	2005	2004
Claims liabilities, July 1	\$ 6,704,460	\$ 10,642,000
Incurred claims	5,603,732	2,745,471
Payments on claims attributable to events of current and prior years	(3,333,584)	(6,683,011)
Claims liabilities, June 30	<u>\$ 8,974,608</u>	<u>\$ 6,704,460</u>

**NOTE 12. JOINT VENTURES**

In 1991, the City's electorate approved participation in the State Water Project (SWP). As a result, the City joined in the formation of the Central Coast Water Authority (CCWA) in September 1991. The purpose of the Central Coast Water Authority is to provide for the financing, construction, operation and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in Santa Barbara County.

Each Santa Barbara Project participant, including the City of Santa Barbara, has entered into a Water Supply Agreement in order to provide for the development, financing, construction, operation and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by: (1) requiring CCWA to sell, and the Santa Barbara Project participants to buy, a specified amount of water from CCWA ("take or pay"); and (2) assigning the Santa Barbara Project participant's entitlement rights in the State Water Project to CCWA. Although the City does have an ongoing financial responsibility pursuant to the Water Supply Agreement between the City and CCWA, the City does not have an equity interest as defined by GASB Cod. Sec. J50.105.

Each Santa Barbara Project participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the Santa Barbara Project participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities), debt service on CCWA bonds and all CCWA operating and administrative costs.

Each Santa Barbara Project participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. Each participant has agreed in its Water Supply Agreement to fix, prescribe and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payments required pursuant to the Water Supply Agreement, and (2) debt service on any existing participant obligation for which revenues are also pledged.

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are apportioned between the entities based upon each entity's pro-rata share of the water provided by the project. The City's share of the project, based upon number of acre-feet of water, is 7.7%. Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

On October 1, 1992, CCWA sold \$177,200,000 in revenue bonds at a true interest cost of 6.64% to enable CCWA to finance a portion of the costs of constructing a water treatment plant to treat State water for use by various participating water purveyors and users within Santa Barbara and San Luis Obispo Counties, a transmission system to deliver such water to the participating water purveyors and users within Santa Barbara County, and certain local improvements to the water systems of some of the participating purveyors.

In November 1996, CCWA sold \$198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's \$177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series:

The notes to the financial statements are an integral part of this statement.

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Series A of \$173,015,000 and Series B of \$25,000,000. The Series B bonds are subject to mandatory redemption from amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of CCWA facilities.

Pursuant to the Water Supply Agreement, the City of Santa Barbara's payments to CCWA includes its share of DWR's fixed and variable costs, the debt service requirements on the CCWA Bonds, CCWA's fixed operating and maintenance costs, and variable costs, as shown in the table below:

Fiscal Year	DWR Costs		CCWA Costs			Total	Total CCWA
	Fixed	Variable (1)	Fixed	Variable (1)	Debt Service (2)	CCWA Cost	and DWR Costs
2005-06	\$ 2,246,380	\$ 177,812	\$ 137,019	\$ 66	\$ 1,756,029	\$ 1,893,114	\$ 4,317,306
2006-07	2,330,421	401,900	159,212	234,906	1,770,005	2,164,124	4,896,445
2007-08	2,370,396	327,030	172,530	238,918	1,772,853	2,184,301	4,881,727
2008-09	2,362,439	320,521	185,447	241,490	1,767,248	2,194,185	4,877,145
2009-10	2,349,159	-	191,010	-	1,769,697	1,960,707	4,309,866
Thereafter	56,632,409	-	7,584,955	-	22,880,442	30,465,397	87,097,806
Total	<u>\$ 68,291,204</u>	<u>\$ 1,227,263</u>	<u>\$ 8,430,173</u>	<u>\$ 715,380</u>	<u>\$ 31,716,274</u>	<u>\$ 40,861,828</u>	<u>\$ 110,380,295</u>

(1) Variable costs only shown through fiscal year 2008-09 because delivery information is not available thereafter.

(2) Net of debt service reserve fund interest earnings.

Additional information and complete financial statements for the CCWA are available for public inspection in the Finance Department at City Hall, 735 Anacapa Street, between the hours of 8:00 am and 5:00 p.m., Monday through Friday.

**NOTE 13. DUE FROM OTHER AGENCIES**

On December 6, 1994, the County of Orange (Orange County) and the Orange County Investment Pools (Pool) filed petitions for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code. The City was one of over 180 participants in the Pool (Pool Participants). As of December 6, 1994, the City's Pool investment principal balance was \$37,513,262 according to the records of Orange County.

A Comprehensive Settlement Agreement (Settlement) for the Pool was offered to Pool Participants in March 1995. Pool Participants were offered a choice of two settlement options (Option A or Option B). In April 1995, the City Council selected Option B that provided for the return of approximately \$29.3 million and the reservation of all rights to recover the remaining balance from all potential sources, including Orange County and third parties. In September 1995, the City, along with other Option B agencies, filed a complaint for damages against Merrill Lynch.

In October 1995, the City along with other Option B agencies filed a complaint for damages against Orange County. The complaint for damages against Orange County was settled for a cash distribution totaling \$1,941,268, received in fiscal years 1996 and 1997; and warrants amounting to \$1,603,200, payable in ten equal annual installments of \$160,320, plus interest at the rate of 6.5% on the unpaid balance. As of June 30, 2005, outstanding warrants receivable totaled \$320,636, which has been classified on the balance sheet as "Due from other agencies."

The notes to the financial statements are an integral part of this statement.



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**NOTE 14. PROPOSITION 218 IMPACTS**

Proposition 218, which was approved by the state's voters in November 1996, will regulate the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired.

The taxes, fees, and assessments that are subject to the provisions of Proposition 218 that the City currently imposes for its own benefit or as an agent for a special district, or receives from other governmental agencies potentially include business license fees. At this time, it is uncertain how Proposition 218 will affect the City's ability to establish new, or increase existing, revenues it receives from taxes, assessments and fees. All other taxes, fees and assessments were approved by vote prior to the effective date of Proposition 218.

**NOTE 15. CONDUIT DEBT**

On January 1, 1996, the City of Santa Barbara issued \$16,805,000 in Insured Revenue Certificates of Participation for the benefit of FACT Retirement Services, a nonprofit public benefit corporation organized and existing under the laws of the State of California to provide care to persons over 62 years of age. The Certificates were issued to enable FACT Retirement System to purchase certain real property and improvements located within the City of Santa Barbara.

The Certificates do not constitute a debt or liability of the City of Santa Barbara. Neither the execution and delivery of the Certificates, nor the execution of the related trust agreement or installment agreement, shall directly, indirectly or morally obligate the City to levy or to pledge any form of taxation whatever, or to make any appropriation for their payment.

As of June 30, 2005, the outstanding balance on the Certificates is \$13,940,000.

**NOTE 16. EMPLOYEE MORTGAGE LOAN ASSISTANCE PROGRAM**

On October 2, 2001 the City Council created an Employee Mortgage Loan Assistance Program ("EMLAP"). The purpose of the program is to help the City attract and retain highly qualified employees by providing assistance in dealing with the high cost of home ownership in the Santa Barbara area. The goals of the program include establishing a more stable workforce and, by promoting local homeownership, reducing commuting distances and times. The program is open to all permanent employees who are "first-time homebuyers" (defined as not having owned a home on the South Coast of Santa Barbara County within the last three years). Homes purchased under the City's EMLAP must be located on the South Coast of Santa Barbara County. The City's EMLAP is structured using a combination of an employee down payment, traditional bank mortgage financing, and City-provided financing as follows:

Employee down payment (minimum).....	5%
Bank-provided 1st Deed of Trust loan.....	80%
City-funded 2nd Deed of Trust loan (maximum).....	15%
Total financing	<u>100%</u>

Under the terms of the EMLAP, City participation is limited to a purchase price of \$981,000. Therefore, the maximum second deed of trust loan available to an employee is \$147,150 (15% of \$981,000). Interest on the City loan is variable, adjusted annually, and is set equal to the most recent quarterly interest rate paid the City on its State of California Local

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Agency Investment Fund ("LAIF rate") balances. The loan is repayable over 15 years, with interest only due for the first five years, converting to a thirty year amortization schedule payable over 10 years with a balloon payment due at the end of 15 years. Payment is made by payroll deduction. To assist the employee, the City will also pay up to four (4) points to the bank on the employee's first deed of trust loan up to \$31,392 in order to "buy down" the interest rate on the first trust deed. The points paid by the City are to be repaid when the second trust deed is refinanced or if the home is sold. However, if the employee maintains continuous employment with the City for 5 years from the date of the loan, 25% of the value of the points loan obligation will be forgiven, and after 10 years 50% will be forgiven. Upon termination of employment the second deed of trust loan, and any related points, are payable either on the fifth anniversary of the loan, or 180 days from the last day of employment, whichever is longer

As of June 30, 2005, the City has \$2,468,250 in employee loans outstanding. A total of \$3,500,000 is authorized for employee mortgage loans.

**NOTE 17. DEFICIT FUND EQUITY**

The FEMA Reimbursement Storm Fund and the Traffic Safety Fund have deficit fund balances of \$1,260,653 and \$2,800, respectively, as of June 30, 2005. These deficits will be eliminated through reimbursements from other funds.

The notes to the financial statements are an integral part of this statement.

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**BUDGETARY INFORMATION**

A two-year financial plan is prepared from which annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Effective fiscal control for debt service is achieved through bond indenture provisions. While budgets are prepared for the City's capital projects, capital projects generally span more than one year and are effectively controlled at the project level.

In early January of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In early April, the City Administrator presents a recommended budget to the City Council. From April through late June, public hearings are held and the recommended budget is reviewed in detail with the Council Finance Committee. The budget is adopted by June 30.

The appropriated budget is prepared by fund, department and program. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed appropriations at the department level for the General Fund and at the fund level for all other legally budgeted funds. Department heads may make transfers of appropriations between line items within a program and across programs lines as long as they are within the same major object category (i.e., Salaries & Benefits, Supplies & Services, Capital, etc.). All other adjustments to appropriations that change the total of a department (within the General Fund) or fund must be approved by Council. Budgeted amounts, as shown, reflect the originally adopted budget and the final budget that includes re-appropriated prior year encumbrances as well as any approved revisions as detailed below. Except for the General Fund, individual amendments were not material in relation to the original appropriations. The original and amended operating budget for the General Fund is shown in the table below.

Originally Adopted Budget	\$ 87,606,836
Re-appropriated Prior Year Encumbrances	1,147,094
Amendments	<u>2,773,279</u>
Amended Budget	<u><u>\$ 91,527,209</u></u>

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Budget appropriations for governmental funds lapse at year-end unless they are encumbered. Budget appropriations for capital projects and other multi-year projects do not lapse at fiscal year-end and are carried forward through completion of the project.

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GENERAL FUND**  
**BUDGET AND ACTUAL (GAAP BASIS)**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
Revenues:				
Taxes	\$ 51,523,700	\$ 50,862,363	\$ 56,787,968	\$ 5,925,605
Intergovernmental	6,166,009	6,468,525	2,758,702	(3,709,823)
Fines and forfeitures	2,714,872	2,714,872	2,594,148	(120,724)
Use of money and property	1,629,810	1,629,810	1,159,124	(470,686)
Charges for services	15,128,680	15,257,522	14,666,229	(591,293)
Other revenues	5,545,142	5,613,086	5,757,579	144,493
Total revenues	<u>82,708,213</u>	<u>82,546,178</u>	<u>83,723,750</u>	<u>1,177,572</u>
Expenditures:				
Current:				
Mayor and Council	529,158	532,230	465,399	66,831
City Attorney	1,800,391	1,922,435	1,713,286	209,149
City Administration	1,787,126	2,069,080	1,755,806	313,275
Administrative Services	1,511,570	1,571,144	1,359,991	211,153
Finance	4,488,332	4,705,915	4,511,603	194,311
Fire	16,257,299	16,601,286	16,413,489	187,797
Police	27,761,429	28,839,934	27,923,354	916,581
Public Works	4,954,003	5,123,265	4,917,510	205,755
Parks and Recreation	12,350,177	12,579,482	11,934,598	644,885
Library	3,906,441	4,115,146	3,924,301	190,845
Community Development	8,225,717	8,717,794	8,202,762	515,033
Community Promotions	2,967,349	2,879,876	2,439,166	440,710
Total expenditures	<u>86,538,992</u>	<u>89,657,589</u>	<u>85,561,265</u>	<u>4,096,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,830,779)</u>	<u>(7,111,411)</u>	<u>(1,837,515)</u>	<u>5,273,896</u>
Other financing sources (uses):				
Transfers in	725,000	725,000	697,954	(27,046)
Transfers out	<u>(1,067,844)</u>	<u>(1,869,620)</u>	<u>(1,903,609)</u>	<u>(33,989)</u>
Total other financing sources (uses)	<u>(342,844)</u>	<u>(1,144,620)</u>	<u>(1,205,655)</u>	<u>(61,035)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(4,173,623)</u>	<u>(8,256,031)</u>	<u>(3,043,169)</u>	<u>5,212,861</u>
Fund balances, beginning of fiscal year	<u>32,866,521</u>	<u>32,866,521</u>	<u>32,866,521</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 28,692,898</u>	<u>\$ 24,610,490</u>	<u>\$ 29,823,352</u>	<u>\$ 5,212,861</u>

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**REDEVELOPMENT AGENCY SPECIAL REVENUE FUND**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over
				(Under)
Revenues:				
Taxes	\$ 13,750,000	\$ 13,750,000	\$ 13,946,110	\$ 196,110
Use of money and property	749,000	749,000	792,064	43,064
Other revenues	-	-	85,882	85,882
Total revenues	<u>14,499,000</u>	<u>14,499,000</u>	<u>14,824,056</u>	<u>325,056</u>
Expenditures:				
Current:				
Community development	6,254,548	11,194,525	3,828,920	7,365,605
Debt service:				
Interest	-	-	91,554	(91,554)
Total expenditures	<u>6,254,548</u>	<u>11,194,525</u>	<u>3,920,474</u>	<u>7,274,051</u>
Excess (deficiency) of				
revenues over (under)				
expenditures	<u>8,244,452</u>	<u>3,304,475</u>	<u>10,903,582</u>	<u>7,599,107</u>
Other financing sources (uses):				
Transfers out	<u>(8,302,952)</u>	<u>(9,087,797)</u>	<u>(9,016,979)</u>	<u>70,818</u>
Total other financing				
sources (uses)	<u>(8,302,952)</u>	<u>(9,087,797)</u>	<u>(9,016,979)</u>	<u>70,818</u>
Excess (deficiency) of revenues and				
other sources over (under)				
expenditures and other uses	(58,500)	(5,783,322)	1,886,603	7,669,925
Fund balances, beginning of fiscal year	<u>39,552,854</u>	<u>39,552,854</u>	<u>39,552,854</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 39,494,354</u>	<u>\$ 33,769,532</u>	<u>\$ 41,439,457</u>	<u>\$ 7,669,925</u>

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**COMMUNITY DEVELOPMENT BLOCK GRANT**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues:				
Intergovernmental	\$ 1,319,000	\$ 2,558,650	\$ 1,070,570	\$ (1,488,080)
Program income	650,000	650,000	760,446	110,446
Total revenues	<u>1,969,000</u>	<u>3,208,650</u>	<u>1,831,016</u>	<u>(1,377,634)</u>
Expenditures:				
Current:				
Community development	<u>1,967,182</u>	<u>3,206,832</u>	<u>1,829,198</u>	<u>1,377,634</u>
Total expenditures	<u>1,967,182</u>	<u>3,206,832</u>	<u>1,829,198</u>	<u>1,377,634</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,818</u>	<u>1,818</u>	<u>1,818</u>	<u>-</u>
Other financing (uses):				
Transfers out	<u>(1,818)</u>	<u>(1,818)</u>	<u>(1,818)</u>	<u>-</u>
Total other financing (uses)	<u>(1,818)</u>	<u>(1,818)</u>	<u>(1,818)</u>	<u>-</u>
Fund balances, beginning of fiscal year	<u>2,347</u>	<u>2,347</u>	<u>2,347</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 2,347</u>	<u>\$ 2,347</u>	<u>\$ 2,347</u>	<u>\$ -</u>

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**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the streets system, water and wastewater treatment plants, drainage systems, bridges, and sidewalks. Each major infrastructure network can be divided into subsystems. For example, the street network can be divided into concrete and asphalt pavements, curbs and gutters, sidewalks, streetlights, traffic control devices, landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with the characteristics of (1) an up-to-date periodic inventory is performed; (2) condition assessments and summary of results using a measurement scale is completed, and (3) annual amounts to maintain and preserve the eligible infrastructure capital assets at the established condition assessment level are estimated.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The pavement network within the City has approximately 238 miles of paved surfaces, comprised of 127 miles of residential streets, 40 miles of principal arterial and arterial streets and 71 miles of collector streets. This equates to almost 40,000,000 square feet of pavement.

The City has developed a Pavement Management System to inventory and document the physical condition assessment of the City's street network, including a pavement preservation program. Every two years the study is updated and identifies and records the updated condition assessment of all of the City's streets. The streets, primarily concrete and asphalt pavements, were defined as the physical features associated with the operation of motorized vehicles that exist within the limits of the right of way. City owned streets are classified based on land use, access, and traffic utilization into the following four classifications: residential, principal arterial, arterial, and collector. It is anticipated the condition assessment will be performed every two years covering at least one-third of the City's streets on a rotating basis. As part of the study, each street was assigned a physical condition based on a variety of potential defects. A Pavement Condition Index (PCI), a nationally recognized index, is assigned to each street and expressed in a continuous scale from 0 to 100, with 100 being a brand new street and 0 being a badly deteriorated street with virtually no remaining life. The following conditions were assigned:

<u>Condition</u>	<u>Rating</u>
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

The City's preservation program and maintenance estimates were developed to maintain the current infrastructure of streets at or above the average actual condition levels of the streets at the time each of the studies was conducted in 2001 and 2002, which were 74 and 75 ("Very Good"), respectively. The City's formal policy with regard to preservation levels is to maintain a minimum average rating of no less than 60 ("Good") for all streets. This rating level allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. As of June 30, 2005, the City's street system was rated an average PCI index of 72 ("Very Good") with the detail condition as follows:

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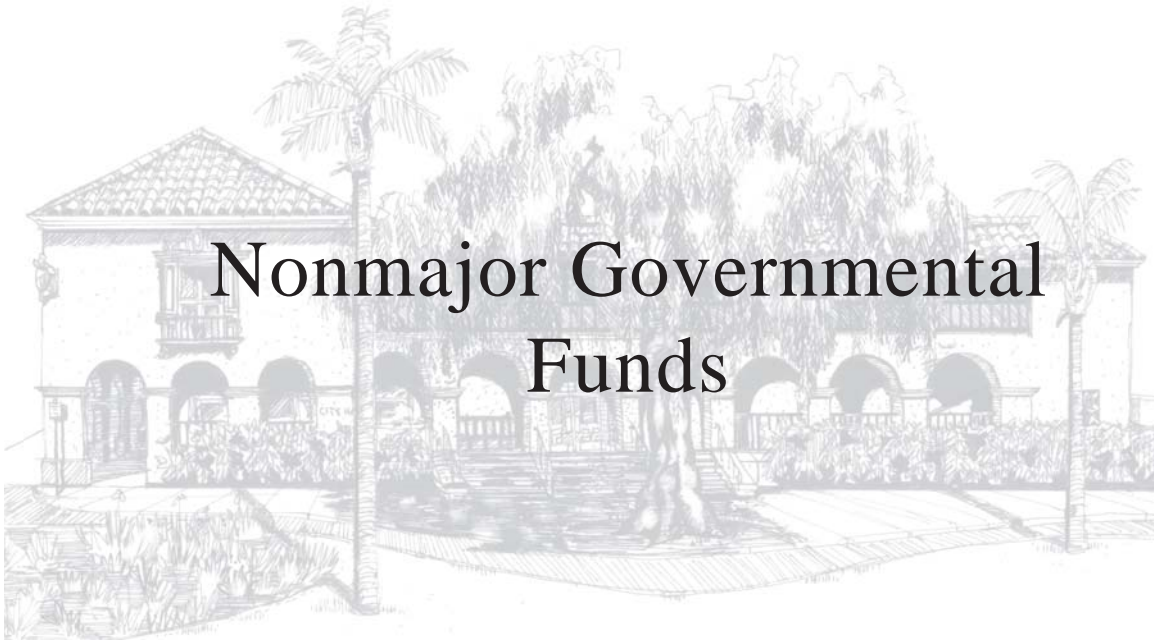
<u>Condition</u>	<u>Approximate % of Streets</u>
Excellent to Good	89%
Fair	6%
Poor to Substandard	5%

In general, streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to minimize the deterioration through short-term maintenance activities such as pothole patching. The City expended \$2,270,022 on street maintenance for the fiscal year ended June 30, 2005. The City has estimated that the average amount of annual expenditures required for fiscal years 2006-2010 to maintain the City's streets at an average PCI rating of at least 70 is approximately \$2,286,900. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last four years is presented below:

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>PCI Rating</u>
2001-2002	\$ 3,533,457	\$ 3,485,010	74
2002-2003	2,063,928	4,738,635	75
2003-2004	3,350,000	3,607,033	72
2004-2005	2,683,648	2,270,022	72

The City's on-going street preservation program is also designed to improve the condition rating of City streets. The preservation program is developed with a six-year cycle that is tied to 6 maintenance zones with 1 zone completed each year. The strategy objective is to reduce the backlog of street preservation work over the next 6 years and increase the overall condition of the road network, and involves both slurry seal and pavement resurfacing as preservation components. For pavements that are beyond economical preservation, reconstruction may be proposed to restore the pavement.





# Nonmajor Governmental Funds

## **NONMAJOR GOVERNMENTAL FUNDS**

**Traffic Safety Fund** - To account for the receipt of fines collected pursuant to the California Vehicle Code. The State of California Government Code restricts use of these funds to traffic control devices, equipment and supplies related to traffic control or traffic safety and maintenance of public streets. The funds may not be used to pay compensation of traffic or police officers.

**Gas Tax Fund** - To account for the receipt and disbursement of the City's share of state gasoline taxes. State law requires that these funds be used to maintain streets.

**Creek Restoration/Water Quality Fund** - To account for funds received from a two-percent tax increase in the City's transient occupancy tax. The proceeds are restricted for use in the City's Creeks Restoration and Water Quality Improvement Program. Measure B was approved by the voters of Santa Barbara County in an election held on November 7, 2000. The tax became effective on January 1, 2001.

**Solid Waste Fund**- To account for franchise fees paid by trash haulers used for funding recycling programs in the City .

**Transportation Development Fund** - To account for the receipt and disbursement of the City's share of gasoline sales tax pursuant to the Transportation Development Act of 1971. These funds are restricted for use in support of alternative transportation, including sidewalks and bikeways.

**HOME Fund** - To account for the receipt and disbursement of the City's Federal HOME grant funds.

**County Library Fund**- To account for funds received and expended for library services on behalf of the County (non-City) residents.

**Street Sweeping Fund**- To account for funds received and expended for street sweeping services.

**Measure D Road Maintenance Fund** - To account for funds received from a one-half cent sales tax levied Countywide pursuant to Measure D. This measure was approved by the voters of Santa Barbara County in an election held on November 7, 1989, and became effective on April 1, 1990. The proceeds are restricted to transportation uses.

**Police - Asset Forfeiture Fund (Unbudgeted)** - To account for assets confiscated by police special operations. These funds are restricted to use in support of police operations.

**Miscellaneous Grants Fund (Unbudgeted)**- To account for resources received from various granting agencies.

**FEMA Reimbursement Storm Fund (Unbudgeted)** - To account for costs incurred as a result of the three federally declared disasters in January and March, 1995; February, 1998; and the storm in January, 2005.

**Police – Supplemental Law Enforcement Fund** - To account for State voter-approved grant funds (AB 3229) restricted to public safety and law enforcement.

**Police – Local Law Enforcement Block Grant Fund** - To account for Federal grants funds received for local law enforcement activities.

**General Capital Improvements Fund** - To account for all capital projects financed by the General Fund.

**Street Capital Improvements Fund** - To account for streets-related capital projects financed by the General Fund.

**Creeks Restoration Capital Improvement Fund** - To account for creeks restoration capital improvements funded by Measure B.

**1993 Redevelopment Agency Tax Allocation Bonds Fund (Unbudgeted)** - To accumulate funds for the payment of the 1993 Tax Allocation Bonds.

**1995 Redevelopment Agency Refunding Tax Allocation Bonds Fund (Unbudgeted)** - To accumulate funds for the payment of the 1995 Refunding Tax Allocation Bonds.

**2002 Municipal Refunding Certificates of Participation Fund (Unbudgeted)** - To accumulate funds for the payment of the General Fund's portion of the 2002 municipal improvement refunding certificates of participation.

**CITY OF SANTA BARBARA  
COMBINING BALANCE SHEET  
NONMAJOR - GOVERNMENTAL FUNDS  
June 30, 2005**

	Special Revenue					
<u>Assets</u>	Traffic Safety	Gas Tax	Creek Restoration/ Water Quality	Solid Waste Fund	Transpor- tation Develop.	HOME Program
Cash and investments	\$ -	\$ -	\$ 2,832,969	\$ 929,438	\$ 253,414	\$ 94,447
Accounts receivable	-	151,176	231,596	-	-	-
Loans receivable	-	-	-	-	-	3,107,161
Due from other agencies	-	-	-	-	351	-
Interfund receivable	-	-	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 151,176</u>	<u>\$ 3,064,565</u>	<u>\$ 929,438</u>	<u>\$ 253,765</u>	<u>\$ 3,201,608</u>
 <u>Liabilities and Fund Balances</u>						
<b>Liabilities:</b>						
Accounts payable	\$ 2,800	\$ -	\$ 36,025	\$ 235,273	\$ -	\$ -
Other accrued liabilities	-	-	8,560	4,583	-	1,196
Interfund payables	-	151,176	-	-	-	-
Deposits	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	3,200,412
Total liabilities	<u>2,800</u>	<u>151,176</u>	<u>44,585</u>	<u>239,856</u>	<u>-</u>	<u>3,201,608</u>
 <b>Fund balances:</b>						
Reserved:						
Encumbrances	-	-	420,207	119,018	-	-
Due from other agencies	-	-	-	-	351	-
Public safety	(2,800)	-	-	-	-	-
Street improvements	-	-	-	-	253,414	-
Library	-	-	-	-	-	-
Community development	-	-	2,599,773	-	-	-
Future projects	-	-	-	570,564	-	-
Debt service	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-
Total fund balances	<u>(2,800)</u>	<u>-</u>	<u>3,019,980</u>	<u>689,582</u>	<u>253,765</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 151,176</u>	<u>\$ 3,064,565</u>	<u>\$ 929,438</u>	<u>\$ 253,765</u>	<u>\$ 3,201,608</u>

Special Revenue								Capital Projects
County Library	Street Sweeping	Measure D Road Maintenance	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Storm Fund	Police - Supplemental Law Enforcement	Police - Local Law Enforcement Block Grant	General Capital Improvements
\$ 876,194	\$ 350,800	\$ 4,698,345	\$ 568,634	\$ 306,999	\$ -	\$ 4,921	\$ 69,623	\$ 3,494,231
139,342	-	296,119	11,935	7,606	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	5,899	-	143,216	480,046	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 1,015,536</u>	<u>\$ 350,800</u>	<u>\$ 5,000,363</u>	<u>\$ 580,569</u>	<u>\$ 457,821</u>	<u>\$ 480,046</u>	<u>\$ 4,921</u>	<u>\$ 69,623</u>	<u>\$ 3,494,231</u>
\$ 20,176	\$ -	\$ 106,182	\$ 10,537	\$ 3,942	\$ 149,058	\$ -	\$ -	\$ 179,777
18,385	524	172,423	-	4,505	-	4,921	-	12,494
-	-	-	-	-	1,591,641	-	-	-
-	-	-	130,017	-	-	-	-	-
-	-	-	-	12,000	-	-	-	-
<u>38,561</u>	<u>524</u>	<u>278,605</u>	<u>140,554</u>	<u>20,447</u>	<u>1,740,699</u>	<u>4,921</u>	<u>-</u>	<u>192,271</u>
10,427	-	2,912,802	73,087	73,952	-	-	25,337	1,364,246
-	-	5,899	-	-	480,046	-	-	-
-	-	-	366,928	143,216	-	-	44,286	-
-	-	1,803,057	-	43,712	-	-	-	-
966,548	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	176,494	-	-	-	1,398,864
-	-	-	-	-	-	-	-	-
-	350,276	-	-	-	(1,740,699)	-	-	538,850
<u>976,975</u>	<u>350,276</u>	<u>4,721,758</u>	<u>440,015</u>	<u>437,374</u>	<u>(1,260,653)</u>	<u>-</u>	<u>69,623</u>	<u>3,301,960</u>
<u>\$ 1,015,536</u>	<u>\$ 350,800</u>	<u>\$ 5,000,363</u>	<u>\$ 580,569</u>	<u>\$ 457,821</u>	<u>\$ 480,046</u>	<u>\$ 4,921</u>	<u>\$ 69,623</u>	<u>\$ 3,494,231</u>

(Continued)

**CITY OF SANTA BARBARA  
COMBINING BALANCE SHEET  
NONMAJOR - GOVERNMENTAL FUNDS  
June 30, 2005**

	Capital Projects		Debt Service			Total
	Street	Creeks	1993 Tax	1995 Refunding	2002	Nonmajor
	Capital	Restoration	Allocation	Tax Allocation	Municipal	Governmental
<u>Assets</u>	Improvements	Improvement	Bonds	Bonds	Refunding	Funds
					Certificates	
Cash and investments	\$ 4,386,748	\$ 1,701,609	\$ -	\$ -	\$ -	\$ 20,568,372
Accounts receivable	752,172	90,413	-	-	-	1,680,359
Loans receivable	-	-	-	-	-	3,107,161
Due from other agencies	21,716	-	-	-	-	651,228
Interfund receivable	151,176	-	-	-	-	151,176
Cash and investments with fiscal agents	-	-	-	690,316	561,145	1,251,461
Total assets	<u>\$ 5,311,812</u>	<u>\$ 1,792,022</u>	<u>\$ -</u>	<u>\$ 690,316</u>	<u>\$ 561,145</u>	<u>\$ 27,409,757</u>
 <b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities:</b>						
Accounts payable	\$ 612,164	\$ 91,844	\$ -	\$ -	\$ -	\$ 1,447,778
Other accrued liabilities	91,589	-	-	-	-	319,180
Interfund payables	-	-	-	-	-	1,742,817
Deposits	-	-	-	-	-	130,017
Deferred revenue	-	-	-	-	-	3,212,412
Total liabilities	<u>703,753</u>	<u>91,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,852,204</u>
<b>Fund balances:</b>						
Reserved:						
Encumbrances	1,672,786	137,249	-	-	-	6,809,111
Due from other agencies	21,716	-	-	-	-	508,012
Public safety	-	-	-	-	-	551,630
Street improvements	2,913,557	-	-	-	-	5,013,740
Library	-	-	-	-	-	966,548
Community development	-	1,562,929	-	-	-	4,162,702
Future projects	-	-	-	-	-	2,145,922
Debt service	-	-	-	690,316	561,145	1,251,461
Unreserved	-	-	-	-	-	(851,573)
Total fund balances	<u>4,608,059</u>	<u>1,700,178</u>	<u>-</u>	<u>690,316</u>	<u>561,145</u>	<u>20,557,553</u>
Total liabilities and fund balances	<u>\$ 5,311,812</u>	<u>\$ 1,792,022</u>	<u>\$ -</u>	<u>\$ 690,316</u>	<u>\$ 561,145</u>	<u>\$ 27,409,757</u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR - GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Special Revenue					
	Traffic Safety	Gas Tax	Creek Restoration/ Water Quality	Solid Waste Fund	Transpor- tation Develop.	HOME Program
Revenues:						
Taxes	\$ -	\$ 1,684,131	\$ 2,216,294	\$ 372,625	\$ 59,742	\$ -
Intergovernmental	-	-	-	161,547	-	240,002
Fines and forfeitures	537,240	-	-	-	-	-
Use of money and property	-	-	93,517	-	5,007	-
Charges for services	-	-	-	910,815	-	-
Program income	-	-	-	-	-	84,177
Other revenues	-	-	8,100	93,528	-	-
Total revenues	537,240	1,684,131	2,317,911	1,538,515	64,749	324,179
Expenditures:						
Current:						
Public safety	29,575	-	-	-	-	-
Public works	-	-	1,003,394	1,176,197	-	-
Community services	-	-	-	-	-	-
Community development	-	-	-	-	-	324,179
Capital Outlay:						
Capital improvements	-	-	-	-	-	-
Debt Service:						
Principle retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	29,575	-	1,003,394	1,176,197	-	324,179
Excess (deficiency) of revenues over (under) expenditures	507,665	1,684,131	1,314,517	362,318	64,749	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(510,465)	(1,684,131)	(654,368)	(450)	-	-
Total other financing sources (uses)	(510,465)	(1,684,131)	(654,368)	(450)	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(2,800)	-	660,149	361,868	64,749	-
Fund balances, beginning of fiscal year	-	-	2,359,831	327,714	189,016	-
Fund balances, end of fiscal year	\$ (2,800)	\$ -	\$ 3,019,980	\$ 689,582	\$ 253,765	\$ -

County Library	Special Revenue							Capital Projects
	Street Sweeping	Measure D Road Maintenance	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Storm Fund	Police - Supplemental Law Enforcement	Police - Local Law Enforcement Block Grant	General Capital Improvements
\$ -	\$ -	\$ 4,442,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,135,203	-	-	318,553	422,601	528,548	133,436	39,545	-
165,798	774,405	-	-	-	-	-	-	-
-	-	108,814	6,412	-	-	-	2,131	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
103,316	-	-	-	523,920	-	-	-	-
<u>1,404,317</u>	<u>774,405</u>	<u>4,551,218</u>	<u>324,965</u>	<u>946,521</u>	<u>528,548</u>	<u>133,436</u>	<u>41,676</u>	<u>-</u>
-	-	-	234,117	246,562	-	133,481	54,604	-
-	958,280	4,600,306	-	-	754,487	-	-	-
1,653,714	-	-	-	564,074	-	-	-	-
-	-	-	-	39,414	-	-	-	-
-	-	-	-	-	-	-	-	1,242,687
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,653,714</u>	<u>958,280</u>	<u>4,600,306</u>	<u>234,117</u>	<u>850,049</u>	<u>754,487</u>	<u>133,481</u>	<u>54,604</u>	<u>1,242,687</u>
<u>(249,397)</u>	<u>(183,875)</u>	<u>(49,088)</u>	<u>90,848</u>	<u>96,472</u>	<u>(225,939)</u>	<u>(45)</u>	<u>(12,928)</u>	<u>(1,242,687)</u>
-	534,151	-	-	99,702	-	-	4,394	1,242,400
-	-	(161,980)	(4,394)	-	-	-	-	-
<u>-</u>	<u>534,151</u>	<u>(161,980)</u>	<u>(4,394)</u>	<u>99,702</u>	<u>-</u>	<u>-</u>	<u>4,394</u>	<u>1,242,400</u>
(249,397)	350,276	(211,068)	86,454	196,174	(225,939)	(45)	(8,534)	(287)
<u>1,226,372</u>	<u>-</u>	<u>4,932,826</u>	<u>353,561</u>	<u>241,200</u>	<u>(1,034,714)</u>	<u>45</u>	<u>78,157</u>	<u>3,302,247</u>
<u>\$ 976,975</u>	<u>\$ 350,276</u>	<u>\$ 4,721,758</u>	<u>\$ 440,015</u>	<u>\$ 437,374</u>	<u>\$ (1,260,653)</u>	<u>\$ -</u>	<u>\$ 69,623</u>	<u>\$ 3,301,960</u>

(Continued)



**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR - GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Capital Projects		Debt Service			Total Nonmajor Governmental Funds
	Street Capital Improvements	Creeks Restoration Capital Improvements	1993 Tax Allocation Bonds	1995 Re-funding Tax Allocation Bonds	2002 Municipal Refunding Certificates	
Revenues:						
Taxes	\$ 5,802,206	\$ -	\$ -	\$ -	\$ -	\$ 14,577,402
Intergovernmental	854,326	397,630	-	-	-	4,231,391
Fines and forfeitures	-	-	-	-	-	1,477,443
Use of money and property	-	-	2	9,988	28,933	254,804
Charges for services	359,414	-	-	-	-	1,270,229
Program income	-	-	-	-	-	84,177
Other revenues	17,400	-	-	-	-	746,264
Total revenues	<u>7,033,346</u>	<u>397,630</u>	<u>2</u>	<u>9,988</u>	<u>28,933</u>	<u>22,641,710</u>
Expenditures:						
Current:						
Public safety	-	-	-	-	-	698,339
Public works	5,614,940	-	-	-	-	14,107,604
Community services	-	-	-	-	-	2,217,788
Community development	-	-	-	-	-	363,593
Capital Outlay:						
Capital improvements	2,759,678	559,142	-	-	-	4,561,507
Debt Service:						
Principle retirement	-	-	-	2,450,000	214,500	2,664,500
Interest	-	-	-	660,300	143,487	803,787
Total expenditures	<u>8,374,618</u>	<u>559,142</u>	<u>-</u>	<u>3,110,300</u>	<u>357,987</u>	<u>25,417,118</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,341,272)</u>	<u>(161,512)</u>	<u>2</u>	<u>(3,100,312)</u>	<u>(329,054)</u>	<u>(2,775,408)</u>
Other financing sources (uses):						
Transfers in	1,692,630	500,000	-	3,104,534	329,051	7,506,862
Transfers out	<u>(225,328)</u>	<u>-</u>	<u>(976)</u>	<u>-</u>	<u>-</u>	<u>(3,242,092)</u>
Total other financing sources (uses)	<u>1,467,302</u>	<u>500,000</u>	<u>(976)</u>	<u>3,104,534</u>	<u>329,051</u>	<u>4,264,770</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	126,030	338,488	(974)	4,222	(3)	1,489,363
Fund balances, beginning of fiscal year	<u>4,482,029</u>	<u>1,361,690</u>	<u>974</u>	<u>686,094</u>	<u>561,148</u>	<u>19,068,190</u>
Fund balances, end of fiscal year	<u>\$ 4,608,059</u>	<u>\$ 1,700,178</u>	<u>\$ -</u>	<u>\$ 690,316</u>	<u>\$ 561,145</u>	<u>\$ 20,557,553</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**TRAFFIC SAFETY**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 505,000	\$ 505,000	\$ 537,240	\$ 32,240
Expenditures:				
Current:				
Protection of persons and property	30,000	30,000	29,575	425
Excess (deficiency) of revenues over (under) expenditures	475,000	475,000	507,665	32,665
Other financing sources (uses):				
Transfers out	(475,000)	(475,000)	(510,465)	(35,465)
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	\$ -	\$ -	\$ (2,800)	\$ (2,800)

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**GAS TAX**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Taxes	\$ 1,725,000	\$ 1,725,000	\$ 1,684,131	\$ (40,869)
Other financing sources (uses):				
Transfers out	(1,725,000)	(1,725,000)	(1,684,131)	40,869
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	\$ -	\$ -	\$ -	\$ -

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**CREEKS RESTORATION/WATER QUALITY**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Taxes	\$ 2,137,970	\$ 2,137,970	\$ 2,216,294	\$ 78,324
Use of money and property	50,000	50,000	93,517	43,517
Other revenues	-	5,000	8,100	3,100
Total revenues	2,187,970	2,192,970	2,317,911	124,941
Expenditures:				
Current:				
Public works	1,533,602	1,992,660	1,003,394	989,266
Excess (deficiency) of revenues over (under) expenditures	654,368	200,310	1,314,517	1,114,207
Other financing sources (uses):				
Transfers out	(654,368)	(654,368)	(654,368)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(454,058)	660,149	1,114,207
Fund balances, beginning of fiscal year	-	2,359,831	2,359,831	-
Fund balances, end of fiscal year	\$ -	\$ 1,905,773	\$ 3,019,980	\$ 1,114,207

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**SOLID WASTE**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Taxes	\$ 352,500	\$ 352,500	\$ 372,625	\$ 20,125
Intergovernmental	212,000	361,238	161,547	(199,691)
Charges for services	600,900	927,608	910,815	(16,793)
Other revenues	80,000	80,000	93,528	13,528
Total revenues	<u>1,245,400</u>	<u>1,721,346</u>	<u>1,538,515</u>	<u>(182,831)</u>
Expenditures:				
Current:				
Public works	<u>1,244,950</u>	<u>2,069,196</u>	<u>1,176,197</u>	<u>892,999</u>
Excess (deficiency) of revenues over (under) expenditures	450	(347,850)	362,318	710,168
Other financing sources (uses):				
Operating transfers out	<u>(450)</u>	<u>(450)</u>	<u>(450)</u>	<u>-</u>
Total other financing sources (uses)	<u>(450)</u>	<u>(450)</u>	<u>(450)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(348,300)	361,868	710,168
Fund balances, beginning of fiscal year	<u>-</u>	<u>327,714</u>	<u>327,714</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ (20,586)</u>	<u>\$ 689,582</u>	<u>\$ 710,168</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**TRANSPORTATION DEVELOPMENT**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Taxes	\$ 50,000	\$ 50,000	\$ 59,742	\$ 9,742
Use of money and property	5,000	5,000	5,007	7
Total revenues	55,000	55,000	64,749	9,749
Expenditures:				
Current:				
Public works	55,000	55,000	-	55,000
Excess of revenues over expenditures	-	-	64,749	64,749
Fund balances, beginning of fiscal year	-	189,016	189,016	-
Fund balances, end of fiscal year	\$ -	\$ 189,016	\$ 253,765	\$ 64,749

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**HOME PROGRAM**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Intergovernmental	\$ 822,946	\$ 943,133	\$ 240,002	\$ (703,131)
Program income	87,054	87,054	84,177	(2,877)
Total revenues	910,000	1,030,187	324,179	(706,008)
Expenditures:				
Current:				
Community development	910,000	1,030,187	324,179	706,008
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	\$ -	\$ -	\$ -	\$ -

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**COUNTY LIBRARY**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,163,387	\$ 1,163,387	\$ 1,135,203	\$ (28,184)
Fines and forfeitures	132,500	132,500	165,798	33,298
Other revenues	62,000	62,000	103,316	41,316
Total revenues	<u>1,357,887</u>	<u>1,357,887</u>	<u>1,404,317</u>	<u>46,430</u>
Expenditures:				
Community services	<u>1,632,289</u>	<u>1,663,676</u>	<u>1,653,714</u>	<u>9,962</u>
Excess (deficiency) of revenues over (under) expenditures	(274,402)	(305,789)	(249,397)	56,392
Other financing sources:				
Transfers in	<u>76,650</u>	<u>76,650</u>	<u>-</u>	<u>(76,650)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(197,752)	(229,139)	(249,397)	(20,258)
Fund balances, beginning of fiscal year	<u>-</u>	<u>1,226,372</u>	<u>1,226,372</u>	<u>-</u>
Fund balances, end of fiscal year	<u><u>\$ (197,752)</u></u>	<u><u>\$ 997,233</u></u>	<u><u>\$ 976,975</u></u>	<u><u>\$ (20,258)</u></u>



**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**STREET SWEEPING**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 650,000	\$ 650,000	\$ 774,405	\$ 124,405
Total revenues	650,000	650,000	774,405	124,405
Expenditures:				
Public works	904,077	1,187,601	958,280	229,321
Excess (deficiency) of revenues over (under) expenditures	(254,077)	(537,601)	(183,875)	353,726
Other financing sources (uses):				
Transfers in	463,597	534,151	534,151	-
Transfers out	(209,520)	-	-	-
Total other financing sources (uses)	254,077	534,151	534,151	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(3,450)	350,276	353,726
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	\$ -	\$ (3,450)	\$ 350,276	\$ 353,726

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**MEASURE D ROAD MAINTENANCE**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Taxes	\$ 5,200,000	\$ 5,200,000	\$ 4,442,404	\$ (757,596)
Use of money and property	140,000	140,000	108,814	(31,186)
Total revenues	5,340,000	5,340,000	4,551,218	(788,782)
Expenditures:				
Public works	5,178,485	9,768,861	4,600,306	5,168,555
Excess (deficiency) of revenues over (under) expenditures	161,515	(4,428,861)	(49,088)	4,379,773
Other financing sources (uses):				
Transfers out	(161,515)	(161,980)	(161,980)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(4,590,841)	(211,068)	4,379,773
Fund balances, beginning of fiscal year	-	4,932,826	4,932,826	-
Fund balances, end of fiscal year	\$ -	\$ 341,985	\$ 4,721,758	\$ 4,379,773

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**POLICE - SUPPLEMENTAL LAW ENFORCEMENT**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Intergovernmental	\$ 135,232	\$ 135,232	\$ 133,436	\$ (1,796)
Expenditures:				
Current:				
Protection of persons and property	135,232	139,489	133,481	6,008
Excess (deficiency) of revenues over (under) expenditures	-	(4,257)	(45)	4,212
Fund balances, beginning of fiscal year	-	45	45	-
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ (4,212)</u>	<u>\$ -</u>	<u>\$ 4,212</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**POLICE - LOCAL LAW ENFORCEMENT BLOCK GRANT**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 39,545	\$ 39,545	\$ -
Use of money and property	-	-	2,131	2,131
Total revenues	-	39,545	41,676	2,131
Expenditures:				
Current:				
Protection of persons and property	-	114,612	54,604	60,008
Excess (deficiency) of revenues over (under) expenditures	-	(75,067)	(12,928)	62,139
Other financing sources:				
Transfers in	-	4,394	4,394	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(70,673)	(8,534)	62,139
Fund balances, beginning of fiscal year	-	78,157	78,157	-
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ 7,484</u>	<u>\$ 69,623</u>	<u>\$ 62,139</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**GENERAL CAPITAL IMPROVEMENTS**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

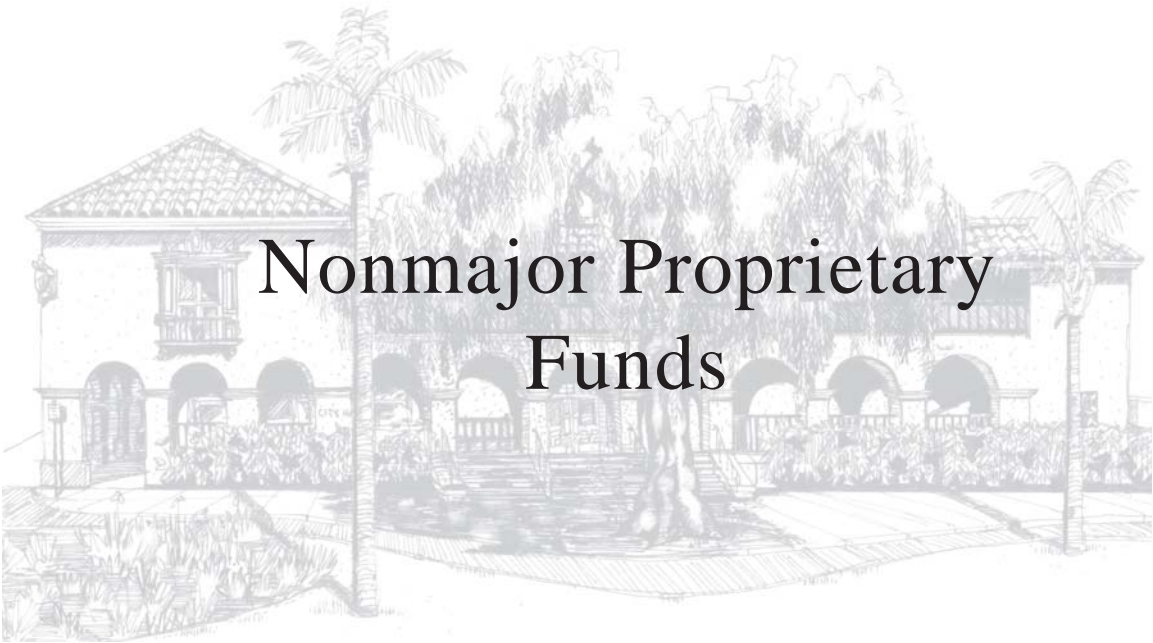
	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Intergovernmental	\$ 959,903	\$ 1,998,121	\$ -	\$ (1,998,121)
Other revenues	-	8,000	-	(8,000)
Total revenues	959,903	2,006,121	-	(2,006,121)
Expenditures:				
Capital improvements	1,298,403	6,011,755	1,242,687	4,769,068
Excess (deficiency) of revenues over (under) expenditures	(338,500)	(4,005,634)	(1,242,687)	2,762,947
Other financing sources:				
Transfers in	477,400	1,242,400	1,242,400	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	138,900	(2,763,234)	(287)	2,762,947
Fund balances, beginning of fiscal year	-	3,302,247	3,302,247	-
Fund balances, end of fiscal year	\$ 138,900	\$ 539,013	\$ 3,301,960	\$ 2,762,947

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**STREETS**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Taxes	\$ 5,200,000	\$ 5,837,731	\$ 5,802,206	\$ (35,525)
Intergovernmental	-	4,470,903	854,326	(3,616,577)
Charges for services	492,500	492,500	359,414	(133,086)
Other revenues	-	-	17,400	17,400
Total revenues	<u>5,692,500</u>	<u>10,801,134</u>	<u>7,033,346</u>	<u>(3,767,788)</u>
Expenditures:				
Current:				
Public works	4,368,389	5,841,977	5,614,940	227,037
Capital improvements	<u>2,406,415</u>	<u>10,549,382</u>	<u>2,759,678</u>	<u>7,789,704</u>
Total expenditures	<u>6,774,804</u>	<u>16,391,359</u>	<u>8,374,618</u>	<u>8,016,741</u>
Excess (deficiency) of revenues over (under) expenditures	(1,082,304)	(5,590,225)	(1,341,272)	4,248,953
Other financing sources (uses):				
Transfers in	1,725,000	1,733,499	1,692,630	(40,869)
Transfers out	<u>(1,280,427)</u>	<u>(225,328)</u>	<u>(225,328)</u>	<u>-</u>
Total other financing sources (uses)	<u>444,573</u>	<u>1,508,171</u>	<u>1,467,302</u>	<u>(40,869)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(637,731)	(4,082,054)	126,030	4,208,084
Fund balances, beginning of fiscal year	<u>-</u>	<u>4,482,029</u>	<u>4,482,029</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ (637,731)</u>	<u>\$ 399,975</u>	<u>\$ 4,608,059</u>	<u>\$ 4,208,084</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR FUNDS**  
**CREEKS RESTORATION CAPITAL IMPROVEMENTS**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget -
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 1,121,343	\$ 397,630	\$ (723,713)
Expenditures:				
Capital Outlay:				
Capital improvements	<u>500,000</u>	<u>2,894,009</u>	<u>559,142</u>	<u>2,334,867</u>
Excess (deficiency) of revenues over (under) expenditures	(500,000)	(1,772,666)	(161,512)	1,611,154
Other financing sources:				
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(1,272,666)	338,488	1,611,154
Fund balances, beginning of fiscal year	<u>-</u>	<u>1,361,690</u>	<u>1,361,690</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ 89,024</u>	<u>\$ 1,700,178</u>	<u>\$ 1,611,154</u>



# Nonmajor Proprietary Funds



## **NONMAJOR PROPRIETARY FUNDS**

**Downtown Parking Fund** - To account for the provision of parking services in the downtown area of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and billing and collection of fees.

**Golf Course Fund** - To account for the operation of a municipal golf course. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and billing and collection of fees.

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2005**

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
<b><u>Assets</u></b>			
<b>Current Assets:</b>			
Cash and investments	\$ 7,831,189	\$ 1,218,916	\$ 9,050,105
Accounts receivable, net	3,216	-	3,216
Due from other agencies	5,018	1,834	6,852
Total current assets	<u>7,839,423</u>	<u>1,220,750</u>	<u>9,060,173</u>
<b>Capital Assets:</b>			
Capital Assets:			
Land	4,943,771	342,302	5,286,073
Buildings	3,069,599	1,198,600	4,268,199
Building improvements	-	90,749	90,749
Improvements other than buildings	4,259,364	2,620,530	6,879,894
Equipment	440,851	769,760	1,210,611
Construction in progress	314,459	34,499	348,958
Less accumulated depreciation	(5,409,620)	(2,315,413)	(7,725,033)
Total capital assets, (net)	<u>7,618,424</u>	<u>2,741,027</u>	<u>10,359,451</u>
<b>Other Assets:</b>			
Deferred charge-loss on defeasance, net	-	138,630	138,630
<b>Total assets</b>	<u>15,457,847</u>	<u>4,100,407</u>	<u>19,558,254</u>
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Accounts payable	58,708	18,206	76,914
Accrued salaries and benefits	45,743	15,724	61,467
Deposits	26,543	-	26,543
Compensated absences payable	97,241	44,515	141,756
Current portion long term debt	-	113,900	113,900
Total current liabilities	<u>228,235</u>	<u>192,345</u>	<u>420,580</u>
<b>Non-current liabilities:</b>			
Long-term debt, net of current portion	-	1,694,900	1,694,900
<b>Total liabilities</b>	<u>228,235</u>	<u>1,887,245</u>	<u>2,115,480</u>
<b><u>Net Assets:</u></b>			
Invested in capital assets net of related debt	7,618,424	932,227	8,550,651
Unrestricted	7,611,188	1,280,935	8,892,123
<b>Total net assets</b>	<u>\$ 15,229,612</u>	<u>\$ 2,213,162</u>	<u>\$ 17,442,774</u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
<b>Operating Revenues:</b>			
<b>Charges for sales and services:</b>			
Service charges	\$ 4,184,360	\$ 1,701,435	\$ 5,885,795
Leases and rents	-	268,932	268,932
Other revenues	10,558	4,502	15,060
Total revenues	<u>4,194,918</u>	<u>1,974,869</u>	<u>6,169,787</u>
<b>Operating Expenses:</b>			
Salaries, wages and benefits	2,903,120	970,305	3,873,425
Materials, supplies and services	1,856,482	736,417	2,592,899
Depreciation	378,108	173,717	551,825
Total operating expenses	<u>5,137,710</u>	<u>1,880,439</u>	<u>7,018,149</u>
Operating income (loss)	<u>(942,792)</u>	<u>94,430</u>	<u>(848,362)</u>
<b>Non-operating revenues (expenses):</b>			
Taxes	773,509	-	773,509
Investment income	176,461	26,368	202,829
Interest expense	-	(73,918)	(73,918)
Total non-operating revenues (expenses)	<u>949,970</u>	<u>(47,550)</u>	<u>902,420</u>
Income (loss)	7,178	46,880	54,058
Transfers out	<u>(4,104)</u>	<u>(684)</u>	<u>(4,788)</u>
Change in net assets	3,074	46,196	49,270
Net assets, beginning of fiscal year	15,226,538	2,166,966	17,393,504
Net assets, end of fiscal year	<u>\$ 15,229,612</u>	<u>\$ 2,213,162</u>	<u>\$ 17,442,774</u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
<b>Cash flows from operating activities:</b>			
Cash received from services	\$ -	\$ 1,701,435	\$ 1,701,435
Cash received from rents and leases	4,187,340	268,932	4,456,272
Cash payments for goods and services	(1,890,107)	(741,534)	(2,631,641)
Cash payments to employees for services	(2,983,188)	(996,145)	(3,979,333)
Cash returned for deposits	301	-	301
Other operating receipts	10,558	4,502	15,060
Net cash provided (used) by operating activities	<u>(675,096)</u>	<u>237,190</u>	<u>(437,906)</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers to other funds	(4,104)	(684)	(4,788)
Cash received from taxes and assessments	773,509	-	773,509
Net cash provided (used) by non-capital financing activities	<u>769,405</u>	<u>(684)</u>	<u>768,721</u>
<b>Cash flows from capital and related financing activities:</b>			
Payments on long term debt	-	(110,500)	(110,500)
Acquisition of capital assets	(250,206)	(82,576)	(332,782)
Interest paid on debt	-	(63,254)	(63,254)
Net cash provided (used) by capital and related financing activities	<u>(250,206)</u>	<u>(256,330)</u>	<u>(506,536)</u>
<b>Cash flows from investing activities:</b>			
Cash received on investments	178,970	27,284	206,254
Net increase in cash and cash equivalents	23,073	7,460	30,533
Cash and cash equivalents, beginning of fiscal year	<u>7,808,116</u>	<u>1,211,456</u>	<u>9,019,572</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 7,831,189</u>	<u>\$ 1,218,916</u>	<u>\$ 9,050,105</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (942,792)	\$ 94,430	\$ (848,362)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	378,108	173,717	551,825
Changes in operating assets and liabilities:			



# Internal Service Funds

## **INTERNAL SERVICE FUNDS**

**Intra-City Service Fund** – To account for the costs of operating an automotive maintenance facility and ensuring that vehicles used by all City departments are properly maintained. This fund also accounts for City-wide building maintenance operations, custodial services, and communications.

**Duplicating Services Fund** - To account for the operations of the City print shop.

**Self Insurance Fund** - To account for the cost of providing workers' compensation, unemployment, liability and employee health insurance coverage on a City-wide basis.

**Information Systems Fund** - To account for the cost of providing computer equipment and service to all departments and funds within the City.

**Vehicle Capital Fund** - To account for the costs of purchasing new vehicles for use within the City-wide organization.

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2005**

<b>Assets</b>	<b>Intra-City Service</b>	<b>Duplicating Services</b>	<b>Self- Insurance</b>	<b>Information Systems</b>	<b>Vehicle Capital</b>	<b>Total</b>
<b>Current Assets:</b>						
Cash and investments	\$ 1,820,238	\$ 47,708	\$ 9,046,961	\$ 624,359	\$ 3,409,762	\$ 14,949,028
Accounts receivable	271	-	38,595	-	-	38,866
Due from other agencies	-	-	18,758	-	-	18,758
Inventory, at cost	693,772	27,919	-	-	-	721,691
Total current assets	2,514,281	75,627	9,104,314	624,359	3,409,762	15,728,343
<b>Capital assets:</b>						
Buildings	105,889	-	-	-	-	105,889
Equipment	697,637	197,661	-	-	16,080,943	16,976,241
Less accumulated depreciation	(110,001)	(171,995)	-	-	(11,820,283)	(12,102,279)
Total capital assets, net	693,525	25,666	-	-	4,260,660	4,979,851
<b>Total assets</b>	<b>3,207,806</b>	<b>101,293</b>	<b>9,104,314</b>	<b>624,359</b>	<b>7,670,422</b>	<b>20,708,194</b>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts payable	454,422	16	35,782	17,163	23,673	531,056
Accrued salaries and benefits	53,164	3,214	7,248	19,523	1,640	84,789
Compensated absences payable	193,205	10,062	22,496	34,810	-	260,573
Current portion claims payable	-	-	3,304,589	-	-	3,304,589
Total current liabilities	700,791	13,292	3,370,115	71,496	25,313	4,181,007
<b>Non-current Liabilities:</b>						
Estimated claims payable, net of current portion	-	-	5,670,019	-	-	5,670,019
<b>Total liabilities</b>	<b>700,791</b>	<b>13,292</b>	<b>9,040,134</b>	<b>71,496</b>	<b>25,313</b>	<b>9,851,026</b>
<b>Net Assets</b>						
Invested in net assets, net of related debt	693,525	25,666	-	-	4,260,660	4,979,851
Unrestricted	1,813,490	62,335	64,180	552,863	3,384,449	5,877,317
<b>Total net assets</b>	<b>\$ 2,507,015</b>	<b>\$ 88,001</b>	<b>\$ 64,180</b>	<b>\$ 552,863</b>	<b>\$ 7,645,109</b>	<b>\$ 10,857,168</b>

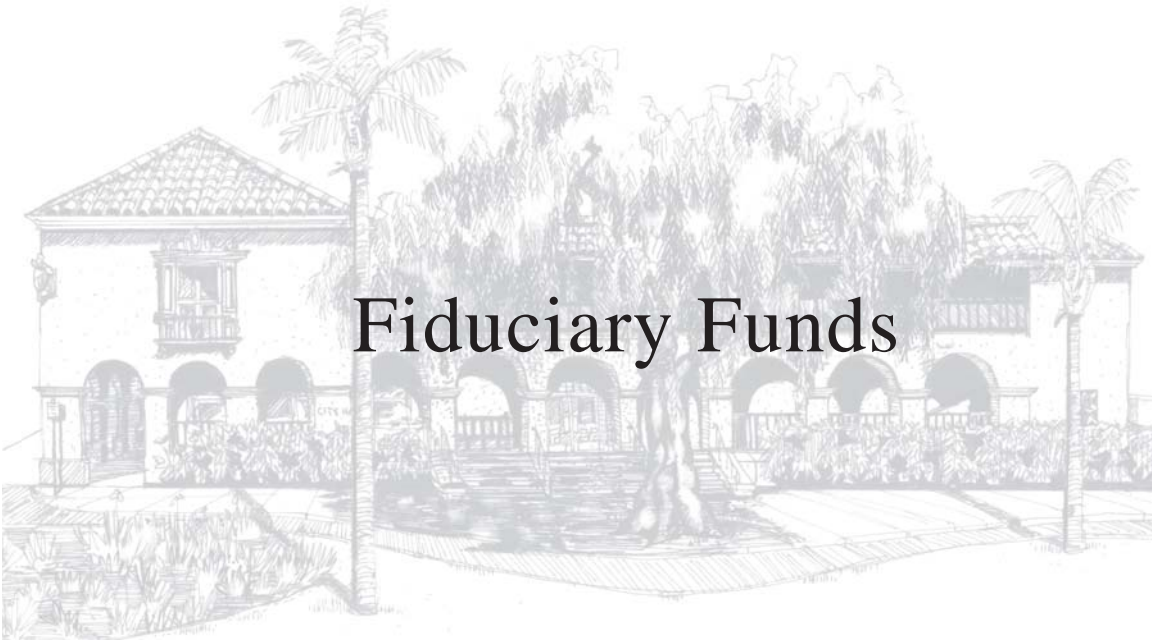
**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Intra-City Service	Duplicating Services	Self- Insurance	Information Systems	Vehicle Capital	Total
<b>Operating Revenues:</b>						
Service charges	\$ 6,405,807	\$ 319,952	\$ 6,250,193	\$ 1,956,354	\$ 1,957,296	\$ 16,889,602
Other revenues	75,093	-	763,030	-	78,632	916,755
Total operating revenues	<u>6,480,900</u>	<u>319,952</u>	<u>7,013,223</u>	<u>1,956,354</u>	<u>2,035,928</u>	<u>17,806,357</u>
<b>Operating Expenses:</b>						
Salaries, wages and benefits	3,552,035	200,577	427,929	1,155,521	101,076	5,437,138
Materials, supplies and services	2,709,848	115,987	3,138,401	781,258	6,871	6,752,365
Depreciation	17,269	12,833	-	-	1,307,245	1,337,347
Total operating expenses	<u>6,279,152</u>	<u>329,397</u>	<u>3,566,330</u>	<u>1,936,779</u>	<u>1,415,192</u>	<u>13,526,850</u>
Operating income (loss)	201,748	(9,445)	3,446,893	19,575	620,736	4,279,507
<b>Non-operating Revenues and Expenses:</b>						
Investment income	-	-	169,083	-	-	169,083
Income (loss) before transfers	201,748	(9,445)	3,615,976	19,575	620,736	4,448,590
Transfers In	-	-	-	314,729	-	314,729
Transfers Out	<u>(6,373)</u>	<u>(450)</u>	<u>(1,368)</u>	<u>-</u>	<u>-</u>	<u>(8,191)</u>
Change in net assets	195,375	(9,895)	3,614,608	334,304	620,736	4,755,128
Net assets, beginning of fiscal year	<u>2,311,640</u>	<u>97,896</u>	<u>(3,550,428)</u>	<u>218,559</u>	<u>7,024,373</u>	<u>6,102,040</u>
Net assets, end of fiscal year	<u>\$ 2,507,015</u>	<u>\$ 88,001</u>	<u>\$ 64,180</u>	<u>\$ 552,863</u>	<u>\$ 7,645,109</u>	<u>\$ 10,857,168</u>



**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Intra-City Service	Duplicating Services	Self- Insurance	Information Systems	Vehicle Capital	Total
<b>Cash flow from operating activities:</b>						
Cash received from services	\$ 6,406,575	\$ 319,952	\$ 6,220,972	\$ 1,956,354	\$ 1,957,296	\$ 16,861,149
Cash payments for goods and services	(2,279,049)	(109,429)	(4,703,663)	(766,384)	(114,340)	(7,972,865)
Cash payments to employees for services	(3,672,577)	(205,011)	(440,188)	(1,193,766)	(100,841)	(5,612,383)
Other operating receipts	75,093	-	763,030	-	78,632	916,755
Net cash provided (used) by operating activities	530,042	5,512	1,840,151	(3,796)	1,820,747	4,192,656
<b>Cash flows from non-capital financing activities:</b>						
Transfers from other funds	-	-	-	314,729	-	314,729
Transfers to other funds	(6,373)	(450)	(1,368)	-	-	(8,191)
Net cash provided (used) by non-capital financing activities	(6,373)	(450)	(1,368)	314,729	-	306,538
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets	(429,749)	-	-	-	(852,151)	(1,281,900)
Net cash provided (used) by capital and related financing activities	(429,749)	-	-	-	(852,151)	(1,281,900)
<b>Cash flows from investing activities:</b>						
Cash received on investments	-	-	169,083	-	-	169,083
Net increase (decrease) in cash and cash equivalents	93,920	5,062	2,007,866	310,933	968,596	3,386,377
Cash and cash equivalents, beginning of fiscal year	1,726,318	42,646	7,039,095	313,426	2,441,166	11,562,651
Cash and cash equivalents, end of fiscal year	\$ 1,820,238	\$ 47,708	\$ 9,046,961	\$ 624,359	\$ 3,409,762	\$ 14,949,028
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 201,748	\$ (9,445)	\$ 3,446,893	\$ 19,575	\$ 620,736	\$ 4,279,507
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	17,269	12,833	-	-	1,307,245	1,337,347
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	768	-	(29,221)	-	-	(28,453)
(Increase) decrease in inventories	153,829	6,558	-	-	-	160,387
(Increase) decrease in prepaid assets	-	-	75,713	-	-	75,713
Increase (decrease) in accounts payable	276,970	-	26,417	14,874	(107,469)	210,792
Increase (decrease) in accrued claims	-	-	(1,667,392)	-	-	(1,667,392)
Increase (decrease) in accrued salaries payable	(114,478)	(5,734)	(14,442)	(37,869)	235	(172,288)
Increase (decrease) in accrued compensated absences	(6,064)	1,300	2,183	(376)	-	(2,957)
Net cash provided by operating activities	\$ 530,042	\$ 5,512	\$ 1,840,151	\$ (3,796)	\$ 1,820,747	\$ 4,192,656



# **FIDUCIARY FUNDS**

## **PENSION TRUST FUNDS**

Safety Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965.

Service Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965, and who were disabled due to job related injuries.

## **PRIVATE PURPOSE TRUST FUNDS**

Library Gifts Fund - To account for gifts and bequests made to the City library. Funds are used for book replacement.

Canine Unit Fund - To account for contributions made for the Police's Canine Unit program.

Russ Morrison Fund - To account for contributions made from the Santa Barbara Athletic Roundtable for the sole purpose of promoting junior golf.

## **AGENCY FUNDS**

California Law Enforcement Telecommunications System Fund - To account for moneys received from various participating public agencies for the purchase of computer equipment for communication with the California Law Enforcement Tracking System (CLETS).

Waste Hauler Fund - To account for the collection and disbursement of utility billings for refuse collection service provided under a franchise agreement.

Revolving Rehabilitation Loan Fund - To account for rehabilitation loans made by the City through the use of various funding sources.

Seismic Safety Assessment Fund - To account for the financial activities of the Seismic Assessment District #1.

**COMBINING STATEMENT OF PLAN NET ASSETS**  
**PENSION TRUST FUNDS**  
**June 30, 2005**

	Safety Retirement	Service Retirement	Total
<b>Assets</b>			
Cash and short-term investments	\$ 72,016	\$ -	\$ 72,016
Due from other agencies	5,526	-	5,526
Total current assets	<u>77,542</u>	<u>-</u>	<u>77,542</u>
Investments, at fair value			
Equity share in city investment pool	-	113,362	113,362
Cash and investments with fiscal agent	-	655,919	655,919
Total investments	<u>-</u>	<u>769,281</u>	<u>769,281</u>
Total assets	<u>77,542</u>	<u>769,281</u>	<u>846,823</u>
<b>Liabilities</b>			
Accrued benefits payable	<u>5,132</u>	<u>4,759</u>	<u>9,891</u>
<b>Net assets</b>			
Held in trust for pension benefits	<u>\$ 72,410</u>	<u>\$ 764,522</u>	<u>\$ 836,932</u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**PENSION TRUST FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Safety Retirement	Service Retirement	Total
<b>Additions</b>			
Investment Income:			
Net appreciation (depreciation)			
in fair value of investments	\$ (936)	\$ 41,252	\$ 40,316
Interest	4,936	14,975	19,911
Dividends	-	16,189	16,189
Other	-	2,868	2,868
Total investment income	<u>4,000</u>	<u>75,284</u>	<u>79,284</u>
Less investment expenses:			
Banking, interest and fiscal agent expenses	<u>-</u>	<u>(11,073)</u>	<u>(11,073)</u>
Net investment income	<u>4,000</u>	<u>64,211</u>	<u>68,211</u>
<b>Deductions</b>			
Benefits	<u>170,223</u>	<u>157,687</u>	<u>327,910</u>
Total deductions	<u>170,223</u>	<u>157,687</u>	<u>327,910</u>
Net decrease	(166,223)	(93,476)	(259,699)
Net assets held in trust for pension benefits:			
Beginning of fiscal year	<u>238,633</u>	<u>857,998</u>	<u>1,096,631</u>
End of fiscal year	<u><u>\$ 72,410</u></u>	<u><u>\$ 764,522</u></u>	<u><u>\$ 836,932</u></u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**  
**June 30, 2005**

	Library Gifts	Canine Unit	Russ Morrison Trust	Total
<b>Assets</b>				
Cash and investments	\$ 1,485,115	\$ 51,645	\$ 1,235	\$ 1,537,995
Accounts receivable	-	-	303	303
	<u>1,485,115</u>	<u>51,645</u>	<u>1,538</u>	<u>1,538,298</u>
<b>Liabilities</b>				
Accounts payable	-	1,699	-	1,699
	<u>-</u>	<u>1,699</u>	<u>-</u>	<u>1,699</u>
<b>Net Assets</b>				
Held in trust	<u>\$ 1,485,115</u>	<u>\$ 49,946</u>	<u>\$ 1,538</u>	<u>\$ 1,536,599</u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Library Gifts	Canine Unit	Russ Morrison Trust	Total
<b>Additions</b>				
Use of money and property	\$ 22,675	\$ 1,297	\$ -	\$ 23,972
Contributions	937,572	-	-	937,572
Total additions	<u>960,247</u>	<u>1,297</u>	<u>-</u>	<u>961,544</u>
<b>Deductions</b>				
Transfers out	187,489	-	-	187,489
Community services	-	18,351	-	18,351
Total deductions	<u>187,489</u>	<u>18,351</u>	<u>-</u>	<u>205,840</u>
Net increase (decrease)	772,758	(17,054)	-	755,704
Net assets, beginning of fiscal year	<u>712,357</u>	<u>67,000</u>	<u>1,538</u>	<u>780,895</u>
Net assets, end of fiscal year	<u><u>\$ 1,485,115</u></u>	<u><u>\$ 49,946</u></u>	<u><u>\$ 1,538</u></u>	<u><u>\$ 1,536,599</u></u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**Fiscal Year Ended June 30, 2005**

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM:</b>				
Assets:				
Cash and investments	\$ -	\$ 125,283	\$ 125,283	\$ -
Accounts receivable	40,799	165,536	168,690	37,645
Equipment	84,000	-	18,000	66,000
Total assets	<u>124,799</u>	<u>290,819</u>	<u>311,973</u>	<u>103,645</u>
Liabilities:				
Accounts payable	1,154	67,840	65,720	3,274
Due to General Fund	21,322	797	1,594	20,525
Trust liability	102,323	-	22,477	79,846
Total liabilities	<u>\$ 124,799</u>	<u>\$ 68,637</u>	<u>\$ 89,791</u>	<u>\$ 103,645</u>
<b>WASTE HAULER TRUST:</b>				
Assets:				
Cash and investments	\$ 1,097,866	\$ 15,431,163	\$ 15,420,856	\$ 1,108,173
Accounts receivable	996,077	15,596,948	15,483,555	1,109,470
Total assets	<u>2,093,943</u>	<u>31,028,111</u>	<u>30,904,411</u>	<u>2,217,643</u>
Liabilities:				
Trust liability	2,093,943	15,446,364	15,322,664	2,217,643
Total liabilities	<u>\$ 2,093,943</u>	<u>\$ 15,446,364</u>	<u>\$ 15,322,664</u>	<u>\$ 2,217,643</u>
<b>REVOLVING REHAB LOAN:</b>				
Assets:				
Cash and investments	\$ 753,440	\$ 69,247	\$ 276	\$ 822,411
Accounts receivable	3,005	-	-	3,005
Loans receivable	2,314,102	-	59,681	2,254,421
Total assets	<u>3,070,547</u>	<u>69,247</u>	<u>59,957</u>	<u>3,079,837</u>
Liabilities:				
Accounts payable	1,532	5	-	1,537
Contributions	3,069,015	9,285	-	3,078,300
Total liabilities	<u>\$ 3,070,547</u>	<u>\$ 9,290</u>	<u>\$ -</u>	<u>\$ 3,079,837</u>
<b>SEISMIC SAFETY ASSESSMENT FUND:</b>				
Assets:				
Cash and investments	\$ 112,482	\$ 47,569	\$ 41,827	\$ 118,224
Cash and investments held by fiscal agent	92,198	38,904	37,412	93,690
Total assets	<u>204,680</u>	<u>86,473</u>	<u>79,239</u>	<u>211,914</u>
Liabilities:				
Trust liability	204,680	17,234	10,000	211,914
Total liabilities	<u>\$ 204,680</u>	<u>\$ 17,234</u>	<u>\$ 10,000</u>	<u>\$ 211,914</u>
<b>TOTAL - ALL AGENCY FUNDS:</b>				
Assets:				





**CITY OF SANTA BARBARA**  
**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**AS OF JUNE 30, 2005**

	<u>Total</u>
Governmental Funds Capital Assets	
Land	\$ 47,795,017
Construction in progress	19,160,441
Building	18,256,732
Building Improvements	3,137,137
Improvements	33,364,678
Drainage Systems	407,078
Equipment	24,206,303
Infrastructure	4,003,242
Total governmental funds capital assets	<u>\$ 150,330,628</u>
Accumulated Depreciation	
Building	\$ 9,146,815
Building Improvements	2,156,037
Improvements	17,121,454
Drainage Systems	18,258
Equipment	17,384,966
Infrastructure	346,741
	<u>\$ 46,174,271</u>

This schedule presents the capital asset balances related to governmental funds and capital assets of governmental activities reported in the Internal Service funds. Generally, the capital assets of Internal Service funds are included in governmental activities in the Statement of Net Assets.

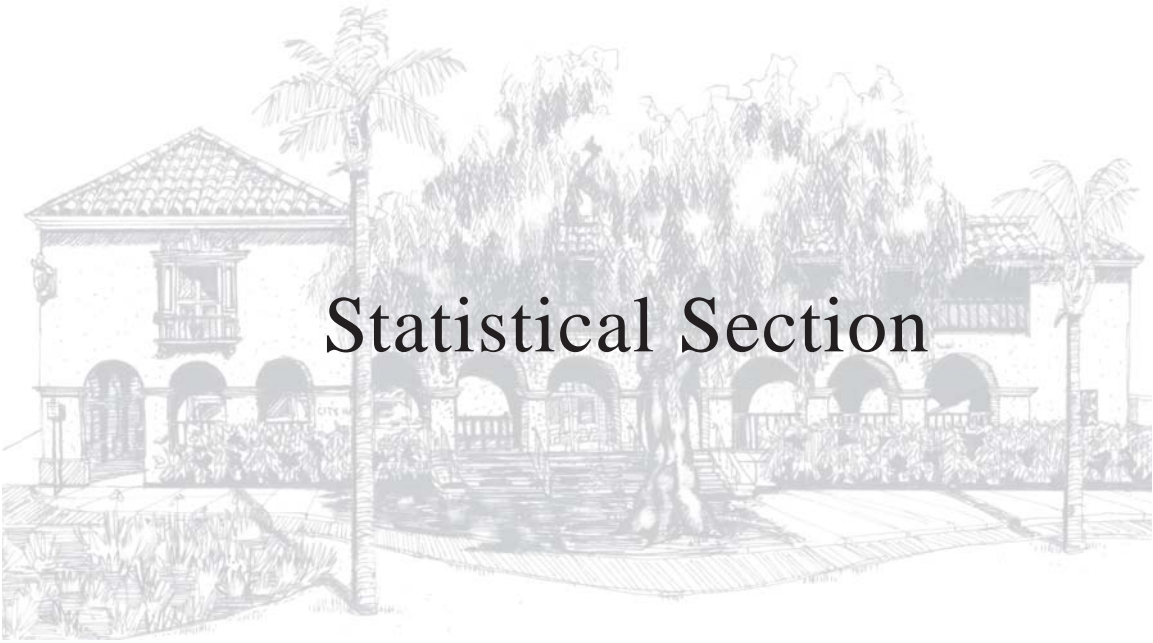
**CITY OF SANTA BARBARA**  
**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**AS OF JUNE 30, 2005**

	Land	Construction in Progress	Buildings	Building Improvements	Improvements
Function:					
City Attorney	\$ -	\$ -	\$ -	\$ -	\$ -
City Administrator's Office	1,473,424	101,225	158,716	-	-
Administrative Services	-	110,330	-	-	-
Finance	-	-	-	170,589	-
Public Safety	558,158	253,759	3,595,496	-	146,828
Public Works	-	3,893,747	1,431,368	178,266	2,507,147
Community Services	6,891,746	853,144	9,031,388	2,788,282	5,729,911
Community Development	38,871,689	13,948,236	4,039,764	-	24,980,792
Total governmental funds capital assets	<u>\$ 47,795,017</u>	<u>\$ 19,160,441</u>	<u>\$ 18,256,732</u>	<u>\$ 3,137,137</u>	<u>\$ 33,364,678</u>

Drainage Systems	Equipment	Infrastructure	Total
\$ -	\$ 32,883	\$ -	\$ 32,883
-	1,771,005	-	3,504,370
-	1,532,635	-	1,642,965
-	257,822	-	428,411
-	1,792,717	-	6,346,958
407,078	17,506,629	1,380,028	27,304,263
-	1,007,171	50,000	26,351,642
-	305,441	2,573,214	84,719,136
<u>\$ 407,078</u>	<u>\$ 24,206,303</u>	<u>\$ 4,003,242</u>	<u>\$ 150,330,628</u>

**CITY OF SANTA BARBARA**  
**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**AS OF JUNE 30, 2005**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Function:				
City Attorney	\$ 32,883	\$ -	\$ -	\$ 32,883
City Administrator's Office	3,403,145	101,225	-	3,504,370
Administrative Services	1,590,359	52,606	-	1,642,965
Finance	428,411	-	-	428,411
Public Safety	6,203,688	143,287	(17)	6,346,958
Public Works	23,919,143	5,225,023	(1,839,903)	27,304,263
Community Services	25,706,162	1,011,066	(365,586)	26,351,642
Community Development	73,582,687	11,646,306	(509,857)	84,719,136
Total governmental funds capital assets	<u>\$ 134,866,478</u>	<u>\$ 18,179,513</u>	<u>\$ (2,715,363)</u>	<u>\$ 150,330,628</u>



## Statistical Section

**TABLE 1**  
**CITY OF SANTA BARBARA**  
**MISCELLANEOUS STATISTICS**  
**June 30, 2005**  
**(Unaudited)**

<b>Date of incorporation</b>	August 26, 1850
<b>Form of Government</b>	Council-Administrator
<b>Area</b>	43.09 square miles (21.09 land, 22 water)
<b>Miles of streets</b>	280
<b>Police protection:</b>	
Number of stations	1
Number of police officers and other sworn personnel	159
<b>Fire protection:</b>	
Number of stations	8
Number of firefighters and officers	99
<b>Municipal Water Department:</b>	
Number of water services - active	25,809
Gallons of potable water treated and distributed a year	4,070,905,027
Gallons of reclaimed water treated and distributed a year	234,270,907
Reservoirs	14
Pump stations	12
Treatment plants	3
Wells	8
Reclamation facility	1
<b>Municipal Wastewater Department:</b>	
Number of services	23,954
Treatment plant	1
Lift stations	13
Gallons of wastewater treated per year	3,200,441,667
<b>Parks and Recreation:</b>	
Number of open-space parks	12
Number of passive parks	9
Number of neighborhood parks	13
Number of community parks	9
Number of sports facilities	11
Number of community buildings	14
Number of beach parks	3
Number of regional parks	2
<b>Libraries:</b>	

**TABLE 2**  
**CITY OF SANTA BARBARA**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Year ended June 30</b>	<b>General government</b>	<b>Protection of persons and property</b>	<b>Public works</b>	<b>Community services</b>	<b>Community development</b>	<b>Debt service</b>	<b>Capital projects</b>	<b>Total</b>
<b>1996</b>	\$7,668,141	\$26,821,772	\$12,818,977	\$13,687,440	\$6,246,683	\$383,697	\$6,537,132	\$74,163,842
<b>1997</b>	8,058,399	27,679,036	10,013,258	12,959,715	5,804,710	380,325	6,137,491	71,032,934
<b>1998</b>	8,802,415	27,819,578	13,209,609	14,164,235	7,734,058	375,380	5,844,275	77,949,550
<b>1999</b>	8,849,818	29,463,624	11,127,640	14,832,596	7,217,853	379,975	5,231,513	77,103,019
<b>2000</b>	9,740,787	30,743,295	11,995,002	15,495,150	7,621,581	378,980	5,611,660	81,586,455
<b>2001</b>	10,644,235	33,419,133	12,463,559	16,869,164	8,448,304	377,485	8,157,963	90,379,843
<b>2002</b>	13,477,823	35,678,754	14,522,102	15,926,833	8,688,734	380,340	7,181,880	95,856,466
<b>2003</b>	14,073,912	37,334,337	14,763,879	16,356,265	9,326,797	364,336	8,218,479	100,438,005
<b>2004</b>	11,922,343	42,080,853	17,233,261	18,880,146	9,634,445	354,373	5,421,967	105,527,388
<b>2005</b>	12,245,251	45,035,181	19,025,114	18,076,687	10,395,553	357,987	4,561,507	109,697,280



**TABLE 3**  
**CITY OF SANTA BARBARA**  
**GENERAL REVENUES BY SOURCE**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Year ended June 30</b>	<b>Taxes</b>	<b>Intergovern- mental</b>	<b>Fines and forfeitures</b>	<b>Use of money and property</b>	<b>Program income</b>	<b>Other</b>	<b>Total</b>
<b>1996</b>	\$41,384,958	\$12,140,853	\$1,616,650	\$1,406,824	\$12,089,424	\$3,111,663	\$71,750,372
<b>1997</b>	44,637,479	11,313,354	1,645,155	2,720,718	12,147,479	3,366,660	75,830,845
<b>1998</b>	47,034,729	11,689,221	1,895,337	2,822,584	12,771,735	2,152,792	78,366,398
<b>1999</b>	49,485,363	10,783,960	2,153,178	2,274,341	13,559,208	2,613,936	80,869,986
<b>2000</b>	52,790,540	9,793,137	2,348,050	2,896,929	14,289,561	3,967,120	86,085,337
<b>2001</b>	57,974,296	16,843,650	2,304,365	5,008,626	15,069,572	1,991,138	99,191,647
<b>2002</b>	59,533,617	12,754,376	2,648,995	3,846,600	11,780,778	5,813,998	96,378,364
<b>2003</b>	61,627,317	12,566,575	2,923,982	2,633,847	12,858,387	5,747,841	98,357,949
<b>2004</b>	64,371,987	10,277,663	3,791,799	888,565	15,072,276	6,711,658	101,113,948
<b>2005</b>	71,365,370	8,060,663	4,071,591	1,403,938	16,781,081	6,503,843	108,186,486

**TABLE 4**

**CITY OF SANTA BARBARA  
TAX REVENUES BY SOURCE  
Last Ten Fiscal Years  
(Unaudited)**

<b>Year ended June 30</b>	<b>Sales and use tax</b>	<b>Utility user's tax</b>	<b>Real Property taxes</b>	<b>Business License tax</b>	<b>Transient occupancy tax</b>	<b>Transportation tax</b>	<b>Gas tax</b>	<b>Franchise taxes</b>	<b>Total</b>
<b>1996</b>	\$13,241,364	\$7,332,679	\$7,013,561	\$1,308,767	\$6,662,365	\$2,867,700	\$1,559,740	\$1,398,782	\$41,384,958
<b>1997</b>	14,554,225	8,115,001	6,939,575	1,400,159	7,428,651	2,993,288	1,581,535	1,625,045	44,637,479
<b>1998</b>	15,342,753	8,600,222	7,285,936	1,520,716	7,845,572	3,327,789	1,598,226	1,513,515	47,034,729
<b>1999</b>	16,363,586	8,329,708	7,898,801	1,566,037	8,685,055	3,439,922	1,619,795	1,582,459	49,485,363
<b>2000</b>	17,325,587	8,910,837	8,498,844	1,666,096	9,392,028	3,744,688	1,618,372	1,634,088	52,790,540
<b>2001</b>	18,237,203	9,736,580	9,038,546	1,681,549	11,098,990	4,587,220	1,810,879	1,783,330	57,974,297
<b>2002</b>	17,511,104	9,995,605	9,821,072	1,768,599	11,805,225	4,897,255	1,667,888	2,066,866	59,533,614
<b>2003</b>	17,903,528	11,166,141	11,247,794	1,831,973	11,837,281	4,172,624	1,698,393	1,769,584	61,627,318
<b>2004</b>	18,419,580	11,325,177	11,906,487	1,925,832	12,438,838	4,621,510	1,678,700	2,055,863	64,371,987
<b>2005</b>	18,948,766	11,977,017	16,794,803	2,036,552	13,297,804	4,502,146	1,684,131	2,124,151	71,365,370

Sources: General, Special Revenue and Capital Projects, Debt Service and Private Purpose  
Trust Funds, excluding the Redevelopment Agency

TABLE 5

**CITY OF SANTA BARBARA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Year ended June 30</b>	<b>Current tax collections</b>	<b>Percent of levy collected</b>	<b>Delinquent tax collections</b>	<b>Total tax collections</b>	<b>Total collections as a percent of current levy</b>	<b>Outstanding delinquent taxes</b>	<b>Delinquent taxes as percent of current levy</b>	<b>Current levy</b>
<b>1996</b>	\$6,383,168	100.00%	-	\$6,383,168	100.00%	-	-	\$6,383,168
<b>1997</b>	6,526,342	100.00%	-	6,526,342	100.00%	-	-	6,526,342
<b>1998</b>	6,777,217	100.00%	-	6,777,217	100.00%	-	-	6,777,217
<b>1999</b>	7,291,667	100.00%	-	7,291,667	100.00%	-	-	7,291,667
<b>2000</b>	7,797,472	100.00%	-	7,797,472	100.00%	-	-	7,797,472
<b>2001</b>	8,262,133	100.00%	-	8,262,133	100.00%	-	-	8,262,133
<b>2002</b>	8,867,991	100.00%	-	8,867,991	100.00%	-	-	8,867,991
<b>2003</b>	9,526,284	100.00%	-	9,526,284	100.00%	-	-	9,526,284
<b>2004</b>	10,362,037	100.00%	-	10,362,037	100.00%	-	-	10,362,037
<b>2005</b>	11,163,963	100.00%	-	11,163,963	100.00%	-	-	11,163,963

**TABLE 6**  
**CITY OF SANTA BARBARA**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**Last Ten Fiscal Years**  
**(Unaudited)**  
*(per \$100 of assessed value)*

<u>Year ended June 30</u>	<u>County</u>	<u>City</u>	<u>Schools</u>	<u>Sanitation and water</u>	<u>State water</u>	<u>Total</u>
<b>1996</b>	1.0000	0.00639	0.00122	-	-	1.00761
<b>1997</b>	1.0000	0.01119	0.00104	-	-	1.01223
<b>1998</b>	1.0000	-	0.01106	-	-	1.01106
<b>1999</b>	1.0000	-	0.02221	-	-	1.02221
<b>2000</b>	1.0000	-	0.01919	-	-	1.01919
<b>2001</b>	1.0000	-	0.02724	-	-	1.02724
<b>2002</b>	1.0000	-	0.02799	-	-	1.02799
<b>2003</b>	1.0000	-	0.02707	-	-	1.02707
<b>2004</b>	1.0000	-	0.02530	-	-	1.02530
<b>2005</b>	1.0000	-	0.02086	-	-	1.02086

Article XIII A of the California Constitution (Proposition 13) limits what can be included in property tax rates

Sources: County of Santa Barbara: Tax Rates and Assessed Valuations  
Assessor's Role

TABLE 7

**CITY OF SANTA BARBARA**  
**RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE AND**  
**GENERAL BONDED DEBT PER CAPITA AND LEGAL DEBT LIMIT**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Year ended June 30</u>	<u>Population (1)</u>	<u>Gross assessed value (2)</u>	<u>General bonded debt</u>	<u>Legal debt limit (3)</u>	<u>Ratio of general bonded debt to assessed value</u>	<u>General bonded debt per capita</u>
1996	88,800	\$6,497,018,207	-	\$649,701,821	-	-
1997	89,700	6,671,177,945	-	667,117,795	-	-
1998	90,500	6,970,240,734	-	697,024,073	-	-
1999	91,000	7,517,528,949	-	751,752,895	-	-
2000	92,100	7,986,828,416	-	798,682,842	-	-
2001	91,429	8,629,458,602	-	862,945,860	-	-
2002	90,696	9,278,889,667	-	927,888,967	-	-
2003	90,464	9,965,554,390	-	996,555,439	-	-
2004	90,473	10,728,262,648	-	1,072,826,265	-	-
2005	90,518	11,506,947,027	-	1,150,694,703	-	-

Sources: (1) California Department of Finance, Demographic Research Unit

(2) Santa Barbara County, Tax Rates and Assessed Valuation

(3) Legal debt limit is 10% of gross assessed value  
Part III, Assessed valuation by district

**TABLE 8**

**CITY OF SANTA BARBARA**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**  
**(Unaudited)**  
*(in thousands)*

<b>Year ended June 30</b>	<b>Real assessed value</b>	<b>Net property estimated actual value</b>	<b>Personal assessed value</b>	<b>Property estimated actual value</b>	<b>Gross assessed value</b>	<b>Less other exemptions</b>
<b>1996</b>	\$6,189,193	\$6,189,193	\$307,825	\$307,825	\$6,497,018	\$383,313
<b>1997</b>	6,362,382	6,362,382	308,796	308,796	6,671,178	424,550
<b>1998</b>	6,606,474	6,606,474	363,766	363,766	6,970,240	449,000
<b>1999</b>	7,085,198	7,085,198	432,253	432,253	7,517,451	461,743
<b>2000</b>	7,560,260	7,560,260	426,567	426,567	7,986,827	490,116
<b>2001</b>	8,191,548	8,191,548	437,910	437,910	8,629,458	489,045
<b>2002</b>	8,827,568	8,827,568	451,322	451,322	9,278,890	532,372
<b>2003</b>	9,465,721	9,465,721	499,834	499,834	9,965,555	572,863
<b>2004</b>	10,236,197	10,236,197	492,065	492,065	10,728,262	625,474
<b>2005</b>	11,008,458	11,008,458	498,489	498,489	11,506,947	619,791

Assessed value (less other exemptions)	Exemptions		Total Net		Ratio of net assessed value to total estimated actual value
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	
\$6,113,705	\$88,484	\$88,484	\$6,025,221	\$6,025,221	1:1
6,246,628	89,218	89,218	6,157,410	6,157,410	1:1
6,521,240	89,620	89,620	6,431,620	6,431,620	1:1
7,055,708	90,297	90,297	6,965,411	6,965,411	1:1
7,496,711	90,652	90,652	7,406,059	7,406,059	1:1
8,140,413	90,887	90,887	8,049,526	8,049,526	1:1
8,746,518	90,142	90,142	8,656,376	8,656,376	1:1
9,392,692	90,163	90,163	9,302,529	9,302,529	1:1
10,102,788	89,502	89,502	10,013,286	10,013,286	1:1
10,887,156	89,192	89,192	10,797,964	10,797,964	1:1

**TABLE 9**

**CITY OF SANTA BARBARA  
COMPUTATION OF LEGAL DEBT LIMIT  
June 30, 2005  
(Unaudited)**

Net assessed value	\$ 11,008,458,220
Plus exempt property	<u>498,488,807</u>
Total assessed property	<u><u>\$ 11,506,947,027</u></u>
 Debt limit - 10% of total assessed values	 <u><u>\$ 1,150,694,703</u></u>
 Amount of debt applicable to debt limit- total bonded debt	 \$ -
Less assets in Debt Service Fund available for payment of principal	<u>-</u>
Total amount of debt applicable to debt limit	<u><u>\$ -</u></u>
 Legal debt margin	 <u><u>\$ 1,150,694,703</u></u>

Source: City of Santa Barbara, Finance Department



TABLE 10

**CITY OF SANTA BARBARA**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**June 30, 2005**  
**(Unaudited)**

<u>Jurisdiction</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to City of Santa Barbara</u>	<u>Less exclusions (1)</u>	<u>Amount applicable to City of Santa Barbara</u>
Direct debt:				
City of Santa Barbara:				
General Fund	\$ 3,511,200	100.00%	\$ -	\$ 3,511,200
Water Fund	54,825,629	100.00%	54,825,629	-
Wastewater Fund	19,735,000	100.00%	19,735,000	-
Redevelopment Agency - Tax Allocation Bond	84,650,000	100.00%	84,650,000	-
Waterfront	17,700,000	100.00%	17,700,000	-
Golf	1,808,800	100.00%	1,808,800	-
	<u>182,230,629</u>		<u>178,719,429</u>	<u>3,511,200</u>
Total direct debt	<u>182,230,629</u>		<u>178,719,429</u>	<u>3,511,200</u>
Total overlapping and direct debt	<u><u>\$ 182,230,629</u></u>		<u><u>\$ 178,719,429</u></u>	<u><u>\$ 3,511,200</u></u>

TABLE 11

**CITY OF SANTA BARBARA**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL DEBT TO GENERAL EXPENDITURES**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>	<u>Total general expenditures (1)</u>	<u>Ratio of debt service to expenditures</u>
1996	\$110,000	\$269,802	\$379,802	\$74,161,208	0.51%
1997	115,000	265,325	380,325	71,032,934	0.54%
1998	115,000	260,380	375,380	77,949,550	0.48%
1999	125,000	254,975	379,975	77,103,019	0.49%
2000	130,000	248,980	378,980	81,586,455	0.46%
2001	135,000	242,485	377,485	90,379,843	0.42%
2002	145,000	235,340	380,340	95,856,466	0.40%
2003	254,100	109,930	364,030	100,438,005	0.36%
2004	204,600	149,773	354,373	105,527,388	0.34%
2005	214,500	143,487	357,987	109,697,280	0.33%

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds,  
excluding the Redevelopment Agency

Source: City of Santa Barbara, Finance Department

**TABLE 12**  
**CITY OF SANTA BARBARA**  
**SCHEDULE OF WATER FUND DEBT SERVICE COVERAGE**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Year ended June 30	Gross revenues	Operating expenses (1)	Net revenue available for debt service	Debt service requirements			Coverage
				Principal	Interest	Total	
1996	\$26,279,051	\$11,532,629	\$14,746,422	\$7,671,292	\$3,011,963	\$10,683,255	1.38
1997	26,646,383	13,424,618	13,221,765	8,233,048	2,323,533	10,556,581	1.25
1998	21,662,821	13,458,745	8,204,076	2,122,533	2,007,903	4,130,436	1.99
1999	23,207,547	14,332,680	8,874,867	925,493	1,967,671	2,893,164	3.07
2000	26,280,897	12,429,225	13,851,672	974,414	1,924,826	2,899,240	4.78
2001	25,733,439	15,072,214	10,661,225	1,015,709	1,945,538	2,961,247	3.60
2002	25,161,922	17,930,829	7,231,093	1,062,393	2,753,191	3,815,584	1.90
2003	24,217,862	18,149,041	6,068,821	1,299,590	1,331,062	2,630,652	2.31
2004	25,431,147	18,194,186	7,236,961	1,182,089	1,513,884	2,695,973	2.68
2005	27,074,924	18,547,586	8,527,338	1,220,017	1,779,691	2,999,708	2.84

TABLE 13

**CITY OF SANTA BARBARA**  
**SCHEDULE OF WASTEWATER FUND DEBT SERVICE COVERAGE**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Year ended June 30	Gross revenues	Operating expenses (1)	Net revenue available for debt service	Debt service requirements			Coverage
				Principal	Interest	Total	
1996	\$9,506,835	\$5,435,802	\$4,071,033	\$355,000	\$164,070	\$519,070	7.84
1997	9,835,217	5,297,742	4,537,475	365,000	113,855	478,855	9.48
1998	9,650,997	5,356,550	4,294,447	380,000	99,415	479,415	8.96
1999	9,731,233	5,681,796	4,049,437	385,000	84,400	469,400	8.63
2000	9,940,535	6,670,427	3,270,108	400,000	68,800	468,800	6.98
2001	10,368,749	6,639,561	3,729,188	410,000	52,400	462,400	8.06
2002	9,704,473	8,176,560	1,527,913	425,000	41,146	466,146	3.28
2003	9,997,664	8,423,115	1,574,549	435,000	21,228	456,228	3.45
2004	10,231,203	7,920,523	2,310,680	450,000	9,000	459,000	5.03
2005	12,245,423	8,284,611	3,960,812	675,000	816,189	1,491,189	2.66

(1) Excludes depreciation and interest

Source: City of Santa Barbara, Finance Department

**TABLE 14**  
**CITY OF SANTA BARBARA**  
**BUILDING PERMITS AND BANK DEPOSITS**  
**TAXABLE SALES - CITY AND COUNTY**  
**Last Ten Calendar Years**  
**(Unaudited)**

Year	Building Permits (1)		City Bank Deposits (2)	Sales Tax (3)			City as percent of County
	Number	Value		Number of City Tax Permits	City Taxable Transactions	County Taxable Transactions	
1995	941	\$29,997,500	\$2,475,462,000	4,829	\$1,104,519,000	\$3,226,206,000	34.2%
1996	1,154	44,700,000	2,480,641,000	4,971	1,175,157,000	3,466,195,000	33.9%
1997	1,221	40,500,000	2,400,073,000	4,996	1,253,902,000	3,614,586,000	34.7%
1998	2,898	71,864,802	2,532,596,000	4,939	1,354,183,000	3,927,578,000	34.5%
1999	3,064	74,763,741	2,572,521,000	4,961	1,439,155,000	4,195,291,000	34.3%
2000	3,133	76,267,301	2,918,985,000	4,881	1,542,213,000	4,629,350,000	33.3%
2001	2,722	90,268,504	2,911,023,000	4,869	1,580,609,000	4,953,412,000	31.9%
2002	2,998	64,170,362	3,272,386,000	4,780	1,551,762,000	5,032,285,000	30.8%
2003	3,277	97,297,284	3,759,862,000	4,949	1,563,298,000	5,141,084,000	30.4%
2004	2,953	169,125,006	4,432,325,000	4,914	1,618,326,000	5,401,307,000	30.0%

Sources: (1) Information provided by City of Santa Barbara Building Inspection Division

(2) Federal Deposit Insurance Corporation (FDIC) - Research and Statistics

(3) Taxable Sales in California - State Board of Equalization - Research and  
and Statistics Division

TABLE 15

**CITY OF SANTA BARBARA  
POPULATION ESTIMATES,  
INCOME AND UNEMPLOYMENT FIGURES  
Last Ten Calendar Years  
(Unaudited)**

Year	Population Estimates (1)		Personal Income (1)	Per Capita Income (1)	County Unemployment
	City	County	County	County	Rate (%)
1996	88,800	384,300	N/A	N/A	5.8
1997	89,700	387,700	N/A	N/A	4.1
1998	90,500	391,300	N/A	N/A	3.7
1999	91,000	393,500	N/A	N/A	3.6
2000	92,100	398,200	N/A	N/A	3.1
2001	91,429	404,779	N/A	N/A	3.1
2002	90,696	407,867	N/A	N/A	3.5
2003	90,464	410,277	N/A	N/A	3.6
2004	90,473	414,796	N/A	N/A	3.4
2005	90,518	419,260	N/A	N/A	4.0

**TABLE 16**

**CITY OF SANTA BARBARA  
TEN LARGEST EMPLOYERS - SOUTH SANTA BARBARA COUNTY (1)  
June 30, 2005  
(Unaudited)**

<u>Entity Name</u>	<u>Activity</u>	<u>Number employed</u>
University of California, Santa Barbara	Education	9,626
County of Santa Barbara	Government	4,088
Santa Barbara Cottage Hospital	Health Care	2,529
Santa Barbara City Community College	Education	2,211
Raytheon/ E-Systems	Manufacturer	1,950
Santa Barbara High School District	Education	1,810
Sansum-Santa Barbara Medical Foundation Clinic	Health Care	1,170
City of Santa Barbara	Government	1,063
U. S. Postal Service	Postal Service	1,005
Santa Barbara Bank & Trust	Bank	820

Note: With the adoption of Article XIII A of the California Constitution in 1978, property tax as an indicator of economic stability/dependency diminished in importance. Accordingly, the Agency has elected to depict the ten largest employers in Santa Barbara County as a measure of overall economic stability of the City.

**TABLE 17**

**CITY OF SANTA BARBARA  
FIDELITY BONDS OF PRINCIPAL OFFICIALS  
Year ended June 30, 2005  
(Unaudited)**

<u>Name</u>	<u>Title of Official</u>	<u>Amount of fidelity bond</u>
James Armstrong	Administrator/Clerk/Treasurer	\$ 5,000,000
Robert D. Peirson	Finance Director	5,000,000
All other employees handling money working for the City of Santa Barbara	Various	5,000,000